

Stock-Trak Assignment

Overview

You are the portfolio manager for “Wriskguard Hedge Fund,” hereafter referred to as the “fund.” The fund’s starting value is \$500,000 and you have 7 weeks to manage it. At the end of 7 weeks, the Board of Directors of the Wriskguard Family of Funds (the Board is comprised of one person: Jason Greene) will evaluate how well you followed the fund’s guidelines and how well you met the fund’s goals. Most of the evaluation will be based on how well you justify your trading activity with written explanations that relate financial theory (learned in Fi8000) to your actual trades. This follow-up written assignment will be made near the end of the course.

The guidelines and goals for the fund follow:

Goal

Maximize the fund’s value (i.e., earn a return as large as possible a return) subject to the following constraints.

Constraints

1. You must read the Stock-Trak trading rules and adhere to their restrictions. By **6/19/06**, you should have registered online at www.stocktrak.com using the account number you have been assigned. Links are provided on the Fi8000 web site
2. No more than 100 transactions may be made in the 7-week period.
3. The fund may not invest in mutual funds.
4. No single position in any asset is to exceed 10% of the fund’s beginning value without permission from the Board of Directors. For futures contracts, 5% of the notional (market) value of the contract applies toward this requirement. For example, a futures contract with a notional (market) value of \$100,000 will count as a position of \$5,000.
5. The fund must have initiated at least one long position in an instrument by **6/23/06**.
6. The fund must have initiated at least one short position in an instrument by **6/23/06**.
7. The fund must have initiated at least one position in an options contract by **6/23/06**.
8. The fund must have initiated at least one position in a futures contract by **6/30/06**.
9. By **7/7/06**, the fund must have at least 80% of its assets “at risk” (i.e., invested in instruments other than cash). This condition must be met throughout the remainder of the trading period. Again, 5% of the value of futures contracts applies toward this requirement.
10. All transactions must be well-motivated and may not be arbitrary. Remember that all transactions should be justifiable to the Board of Directors.
11. The fund may not engage in insider or otherwise illegal or unethical trading. The fund manager may not manipulate the “market” and must adhere to limits and rules set by Stock-Trak.
12. Any trading errors are the responsibility of the fund manager, not the broker (Stock-Trak). The fund manager must resolve all conflicts or errors with the broker.