

Peeptrade Investment Challenge

Objective

To provide students from the universities participating in the Peeptrade Investment Challenge a real investment and risk management experience, from investment strategy definition to presenting and reporting performance metrics and risk management compliance according to industry standards.

Rules

- Every team will manage a fund of \$10,000 USD provided by Peeptrade.
- Each team will consist of no less than 4 and no more than 10 students.
- There will be 2 deliverables for the Challenge:
 - 1st deliverable will be due Monday, October 3rd and should include the Investment Policy Statement described in Annex A.
 - 2nd deliverable will be due Monday, November 28th and should include a review of the results of the funds managed in compliance with the Investment Policy Statement delivered in Monday, October 3rd.

Presentation and Awards Ceremony:

- On Saturday, December 3rd, 2016 the University of Chicago will host the Finals, where a panel of experts in the industry will decide the winner of the Challenge. A maximum of 5 students will be defending their results to the panel.
- The Award will be a trophy with the inscription of the name of the University and the team members.

The criteria for deciding who will be the winners of the competition will be:

- Execution of the strategy
- Performance Metrics
- Risk Compliance
- Investment Policy Statement Compliance
- How well they defend their position during their presentations
- Explanations of their decisions in the Peeptrade's Message Board

Expenses:

Peeptrade will provide transportation, and one night in the city of Chicago where the Presentation and Award Ceremony will take place. Meals on Saturday, December 3rd will be provided by Peeptrade.

Other Considerations:

The teams will be able to charge users on the Peeptrade platform that want to see their portfolio. These proceeds can go to any cause designed by the University and the students participating. The teams can also decide not to charge anything and let anyone “peep” into their portfolio and trading activity for free.

ANNEX A

INVESTMENT POLICY STATEMENT

An investment policy statement (IPS) is a document drafted between a [portfolio manager](#) and a client that outlines general rules for the manager.

This statement provides the general investment goals and objectives of a client and describes the strategies that the manager should employ to meet these objectives. Specific information on matters such as [asset allocation](#), risk tolerance, and [liquidity](#) requirements would also be included in an IPS.

Return Objective

The objective is to beat the benchmark, which in this case will be the S&P 500 index. The students should consider the following metrics:

- Sharpe Ratio
- Information Ratio
- Alpha and Beta

All of these metrics should be calculated by the teams, and reports should include their methodology of calculating these metrics.

Here the team will define the methodology for constructing their portfolio, it should include:

- % of Active and Passive Investments
- Type of assets (Value, Growth, Income stocks)
- Strategy (Technical, Algorithmic, Fundamental or a mix of these)

Risk Objective

For the purpose of this challenge, Peeptrade will establish only one measure to limit the portfolios, it will be based on annualized Tracking Error.

- Minimum Tracking Error 4%
- Maximums Tracking Error 10%
- *Measured Ex-Ante

The team should include what would be if they have any safety margins, contingencies in case breaking this limits, amount of history used, methodology and frequency of monitoring.

Aside from the Tracking Error, the teams should calculate and monitor the following measures that could also serve as internal risk limits, which should be described:

- Volatility
- Value at Risk
- Stress Scenarios

The team should also describe the methodology for calculating these measures and disclaim if they will be using one of them as internal limit.

- Liquidity

Peeptrade will not impose any liquidity limits. The team should describe if they will have some limits in terms of bid offer spreads of price volatility of the securities.

Time Horizon

For purpose of this challenge the students will manage the funds with a long term horizon.

Taxes

The team should describe what type of tax applies to their portfolio.

Legal and Regulatory Environment

The students should add a small description of the legal and regulatory environment, for managing funds.

Unique Circumstances

The only restriction Peeptrade will have for this challenge is that the investing assets should be liquid stocks listed in U.S. markets, no “penny stocks” can be included in the portfolio. If the team decides to add more constraints

, such as investing in socially responsible companies, they should include it here.

Governance

Here the team should add the organizational chart, responsibilities of each member of the team, committees and procedures for selecting the strategy and securities.