

Round One: The Fund Manager's Conundrum

November 17, 2017

The Fund Manager's Conundrum - Brief

The Task: Imagine that you are a portfolio manager in an Asset Management Company (AMC) operating in Bangladesh. You are pitching for **BDT 1.0 billion** fund to an institution. The management of that institution has defined the investment horizon, asset classes to which you can take position and also put some investment restrictions, which are-

- **Investment Horizon** – 3-5 years (First review will be done after 3 years)
- **Asset Class** – Publicly listed equities of Bangladesh
- **Minimum Exposure** – 80% of total assets at any given time
- **Maximum Exposure for a Sector** – 30%

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- As you do not have any track record, your chance of getting the mandate solely depends on one thing- **YOUR ASSET ALLOCATION STRATEGY!**
- Your first job is to give a clear idea to your investors about **what return could they expect** if they keep money with you?
- Once you define your expected return potential, you need to back it up by explaining your asset allocation strategy.
- **You can allocate the BDT 1.0 billion to only the six sectors defined by your AMC (see appendices: 1 for reference)**
- Determine what percentage of your portfolio should be invested in each of the given set of six sectors.

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Sector Name	Sector Definition*	Representative Companies**
Financial Services	Providers of a diverse range of financial services and/or with some interest in a particular range of financial services including banking and capital markets. Companies engaged in General and Life Insurance Services are not included.	<ul style="list-style-type: none"> ▪ Brac Bank Ltd. ▪ The City Bank Ltd. ▪ Eastern Bank Ltd. ▪ IDLC Finance Ltd.
Pharmaceuticals	Companies engaged in the research, development, production and distribution of pharmaceutical product including veterinary drugs.	<ul style="list-style-type: none"> ▪ Square Pharmaceuticals Ltd. ▪ Renata Ltd. ▪ ACI Ltd.
Consumer Goods	Manufacturers and distributors of food products and packaged food products, cigarettes and other tobacco products, non-durable household products, beauty care products etc.	<ul style="list-style-type: none"> ▪ British American Tobacco Bangladesh Ltd. ▪ Olympic Industries Ltd. ▪ GSK Bangladesh Ltd. ▪ Marico Bangladesh Ltd.
Construction Materials	Manufacturers and/or distributors of construction materials; such as cement, iron and steel, etc. Companies engaged in producing materials that can be used for diversified purposes, such as ceramics, are not included here.	<ul style="list-style-type: none"> ▪ Lafarge Surma Cement Ltd. ▪ Heidelberg Cement Bangladesh Ltd. ▪ BSRM Steels Ltd.
Telecom.	Providers of primarily cellular or wireless telecommunication services, including high-density data transmission services	<ul style="list-style-type: none"> ▪ Grameenphone Ltd.
Electricity Utility	Companies that engage in generation and distribution of electricity using diversified sources	<ul style="list-style-type: none"> ▪ Summit Power Ltd. ▪ United Power Generation and Distribution Ltd.

The Fund Manager's Conundrum - Presentation

Summary:

- Investment horizon, expected return, sectoral allocation etc.

Justifications for your expected returns and Willingness to take risk:

- Your thoughtful and detailed analysis for justifying your expected returns in the entire portfolio as well as each of the sectors.
- Willingness to take risk will be High, Moderate or Low.
- Quantifications of the risk in your portfolio are not required.

Macro-economic Outlook:

- What were the most important factors in your decision of the sectoral allocation?
- How did you identify those factors? And what is your view about the outlook of those factors- positive or negative or neutral?
- How those factors will affect your portfolio?

The Fund Manager's Conundrum - Presentation

Justifications of your asset allocation:

- Which sectors you like most and why Which sectors you have low exposure and why?
- Analysis of the sectoral factors driving the revenue and cost of respective sectors.
- Your understanding of the major drivers of the sectors in which you are allocating a substantial portion of your portfolio, will be thoroughly tested.

Any other information that you believe is relevant to your presentation. You are also encouraged to bring in perspectives from other disciplines (sociology, psychology, public policy etc.) as well to add new dimensions and depth to your analysis.

Round One

Requirements and Deadlines

The Fund Manager's Conundrum - Requirements and Deadlines

- Each team selected for **Round One: The Fund Manager's Conundrum** has to submit a PowerPoint presentation (ppt file), containing the solutions for the above-mentioned problem, at Institute of Business Administration-University of Dhaka on **24 November, 2017**.
- Upon submission of required files, participants will deliver a **fifteen-minute presentation** in front of a three-member judging panel at IBA-DU. The presentation will be followed by **a five-minute Q&A session**.
- The presentation and the Q&A session will be held in English.
- The participating teams will be divided into 6 groups, each consisting of 7 teams. Each team will know its group order on the day of Round One.
- The top three teams from each group will be qualified for the next round. **A total of 18 teams will qualify for the 2nd round**. Results of Round One will be announced on the day of the competition.
- To ensure fairness, no team will use the name of their University on their presentation.