

ifs School of Finance Student Investor Challenge 2011
National Final

Business Challenge

Time allowed: 60 minutes

Background

You are the investment committee of a UK healthcare charity. You have an additional £100,000 to invest with an investment horizon of two years. You already have a well diversified portfolio, in other words, you hold a number of shares in different companies. As a committee you don't meet regularly, so you tend to take a fairly long-term view.

Your researchers have presented you with a number of options. You need to decide how you are going to invest the charity's money, giving reasons for your decisions.

We will revisit the share price performance in six months and in twelve months time to see how the charity's investments have performed.

The challenge is split in to two parts. You will have 40 minutes to complete questions one and two, at which time you will need to submit your answers. You will then be given additional information to allow you to answer question three. You will have 20 minutes to complete this.

Task

1. For each of the four companies you could invest in describe

- a. reasons both for AND against investing the charity's money with them;

[16 marks]

- b. any additional questions you would want to ask the researchers.

[12 marks]

2. Your decision

In addition to the information on the four companies you are told that long-term cash deposits have an interest rate of 1.18%.

- a) Indicate how you will invest the charity's money. Assume there are no dealing costs or stamp duty.

[10 marks]

- b) Explain why you have made the decisions you have.

[25 marks]

Continued overleaf

You will be given further information to allow you answer the next question.

3. Six months later

- a) Calculate the overall performance of your investments to date. [5 marks]
- b) Given what has happened in the last six months and your performance to date, indicate any changes you would make to the charity's investments. Give reasons for the changes you would make, or your reasons for not making any changes. [24 marks]

The performance of your investments will be calculated to judge who made the best investment decisions based purely on share price performance.

[8 marks]