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## **JUNIOR TRADER 2024/25 COMPETITION RULES**

Scenario: Your client is a couple in their 40's. Their earnings are peaking, and they can invest £40,000 a year in their pension which is the maximum permitted. Along with ISA's they have £250k to invest, and have approached you, as their financial advisor with the aim of having a £1m (present day value) pension pot when they are 57 to retire. They have no income requirements from their savings. Their attitude towards risk, they say, is "medium" but they expect you to always beat the market average. They have no ethical, religious or political investment philosophies that you must follow.

They have asked you to arrange their investments in a balanced way, but, have also shown an interest in Food, Fashion and Online Retail stocks as these are often in the news. Your client has asked for a written report at the end of January to decide whether to stay with you, or move to a new advisor.

They have not specified whether *medium risk* applies to the whole portfolio or each constituent part, and you must make this assessment on their behalf and be able to explain the reasoning.

Teams of 3 or 4 traders must be uniquely named after global financial institutions e.g. Goldman Sachs etc along with your school name e.g. "AGGS Goldman Sachs". [Please can teaching staff ensure team names are not repeated].

The Dealing Platform is available at [www.junior-trader.org](http://www.junior-trader.org) where you will find the Dealing Room. You will need the password "jt24". Please do not contact JT directly, always go via your teacher, and use a school email account to identify your trades.

To help you understand Retail valuation techniques, a further online lecture is being delivered on 12<sup>th</sup> December at 13.30 One or more team members from each team should attend this by Zoom.

The **first** dealing day for 2023 is 19th December at the market close, 4.30pm, when you will buy your positions. Trades may be placed any time up to the closing bell on or before the dealing day via the platform by clicking SUBMITTING TRADE after making your selections, which may only be done **once**.

The first trade submission is your only submission – there is no undoing a trade and it will remain until liquidated.

Students must choose a security from EVERY drop-down menu on the platform.

As well as the Food, Fashion and Online stocks, an Index, a Commodity and a Currency must feature in your portfolio, as a balanced pension fund would. Allocations to each investment class are mandatory and range from 10-25%. There is also a cash holding option for the more cautious investors which bears interest.

Investment allocation must always add up to 100% and from every sector, index or security. Any error in this above or below 100% will be posted to your team's *error account* and forfeited. So check your trades!

Students must try and either balance their portfolio defensively, or position it up to take advantage of whatever thematic investment trend is expected by the team to be later explained in an investment report to the client. Consider whether you want to impress your client with risky trading, but risk losing the client, or to keep the client aligned with portfolio theory.

Themes might be *Inflation, War/unrest, Supply Chain, Cost pressure, Consumer Trends, Bull/Bear market etc.* Political themes are best avoided as cannot be predicted by a market.

The second dealing day is 17th January 2023 when all students' investments will be automatically liquidated.

The trading results will be published a week later.

In order to complete the competition, and gain your individual certificate of attendance, each team member must contribute to the team investment report to be submitted via your teacher by 13 February.

The report should be at least 4 pages in length, contain c.1000 words and may include graphical or tabular insertions. The report should explain the team's thematic approach to its investment allocation, its investment allocation within each subsector, and a self-reflective review of its own performance. Lengthier submissions are not discouraged, but reports are expected to be concise.

The report carries 60% weighting to your overall score and should be signed off by all team members who contribute to it, thus any team member absenting from contributing to the report may not receive a certificate of attendance.

The top three teams based on assessment of the investment report and peer relative trading performance, and **every** other team who outperform my own selection, will receive commendations.

Teams should concisely demonstrate in their report to the client:

- Sensitivity and awareness to the client's investment needs
- Insight into current financial affairs that have been moving markets.
- Their reasoning behind portfolio goals (defensive, preservation, inflation, hedging)
- Their weighting between different types of retailers
- Selection of retailer in between categories using two valuation techniques
- Reasoning behind selection of index and commodity choices
- One off events – such as extreme weather affecting retail sales

Supporting evidence behind reasoning could include City analyst opinion, trading statements from the retailers, UK Inflation or Retail Sales Data and other public sources. You will therefore need to kept abreast of the financial news.

## Key Dates;

Valuation Techniques Lecture	12 December
First Dealing Day	19 December
Company Updates	First two weeks January
Second Dealing Day	17 January
Trading Results	24 January
Report submission	13 February

Resources:

[IG Index Introduction to trading](#)

[Chartered Institute of Securities and Investment Jargon Buster](#)