

~ Creating and Analyzing a Portfolio of Equities ~

A Presentation by Team # 7:

- Yoga Prakasa
- Patrick D. Riordan
- Kyle Robinson
- Yaning Wiriadi
- Jian W. Zhang



Outline

- Selection Process
- Portfolio Characteristics
 - Set-up Cost
 - Portfolio Beta
 - Portfolio Alpha
- Portfolio Performance
 - External Events
 - Internal Events
- Recommendations

The Selection Process

□ Optimal Portfolio based on MPT:

• Health Care	Cardinal Health	69.02 %
• Energy	Sunoco	- 1.52 %
• Industrial	ADP	27.68 %
• Utility	Duke Energy	51.02 %
• Consumer Staple	Procter & Gamble	- 20.37 %
• Cons. Discretionary	Disney	- 45.29 %
• Telecommunication	AT & T	- 24.15 %
• Financial	Morgan Stanley	57.83 %
• Material	US Steel	- 23.73 %
• Info. Technology	EMC	9.50 %



Portfolio Holding

The logo for Morgan Stanley, consisting of the text "Morgan Stanley" in a white sans-serif font on a black rectangular background. A small blue triangle is positioned above the letter 'n' in "Stanley".The logo for EMC², featuring the text "EMC²" in a large, white, serif font above the tagline "where information lives" in a smaller, white, sans-serif font, all contained within a black rectangular background.The logo for Duke Energy International, featuring a red stylized icon of a person's head and shoulders to the left of the text "Duke Energy" in a bold, black, sans-serif font, with "International" in a smaller, italicized, black, sans-serif font below it.

Portfolio Characteristics

- The cost to set up the portfolio as of 4/1/2002

<i>Ticker</i>	<i># of Shares</i>	<i>Price (3/31/02)</i>	<i>Total</i>
CAH	100	\$ 70.86	\$ 7,086.00
ADP	40.1061	\$ 58.08	\$ 2,329.36
DUK	73.9316	\$ 37.52	\$ 2,773.91
MWD	83.7974	\$ 56.40	\$ 4,726.17
EMC	13.7597	\$ 11.92	\$ 164.02

Grand Total **\$ 17,079.47**

Portfolio Characteristics

□ Beta of portfolio

<i>Ticker</i>	<i>Beta</i>	<i>Weight</i>	<i>Weighted Beta</i>
CAH	0.2061	41.49 %	0.0855
ADP	0.8186	13.64 %	0.1117
DUK	-0.1406	16.24 %	-0.0228
MDW	2.2029	27.67 %	0.6095
EMC	2.2208	0.96 %	0.0213

Total Beta **0.8052**

Portfolio Characteristics

□ Portfolio Alpha

<i>Ticker</i>	<i>CAPM</i>	<i>Actual Return</i>	<i>Alpha</i>
CAH	0.2729 %	2.2405 %	1.9626 %
ADP	0.6407 %	1.9760 %	1.3353 %
DUK	0.0647 %	1.5226 %	1.4579 %
MWD	1.4718 %	3.0279 %	1.5561 %
EMC	1.4825 %	3.4303 %	1.9478 %

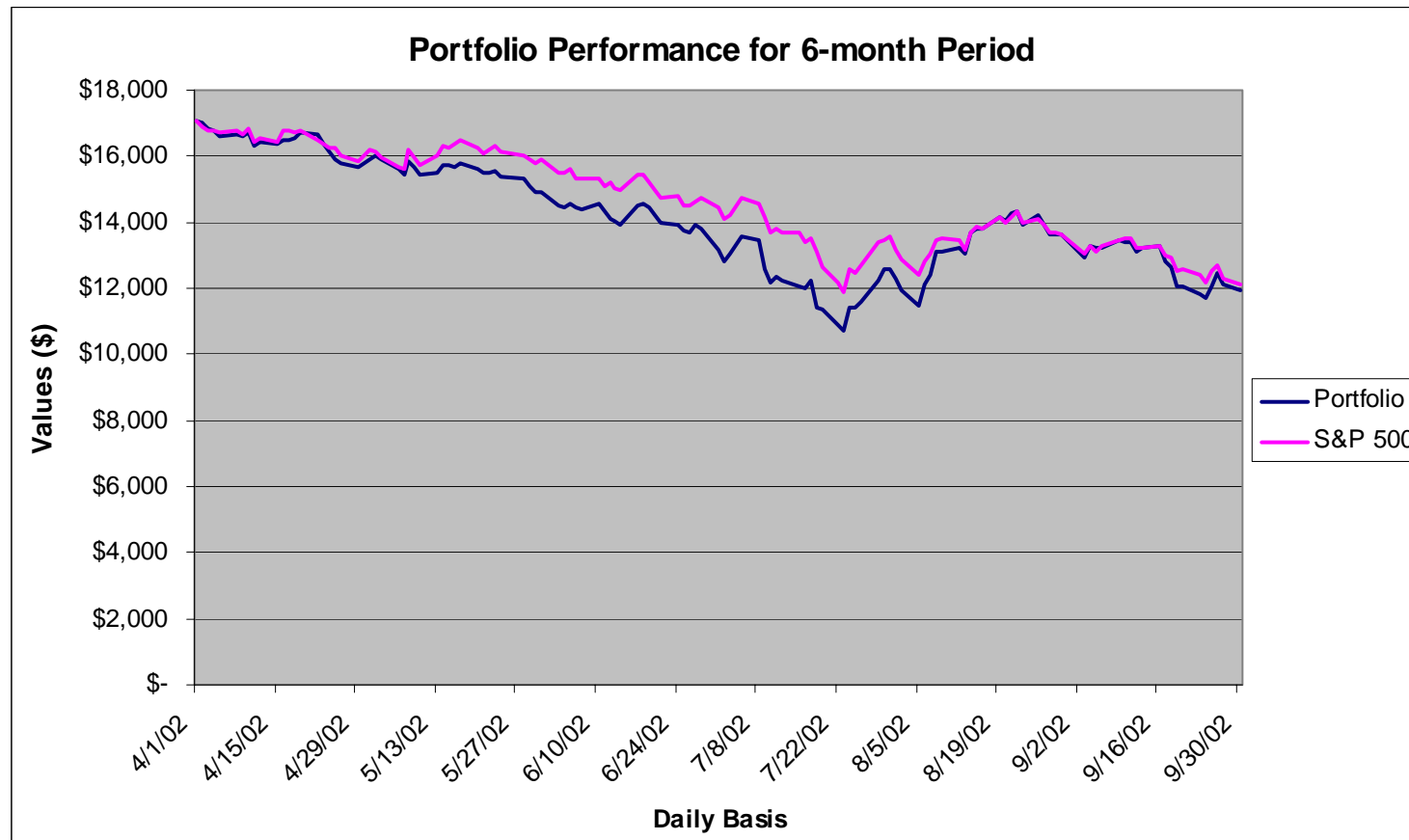


Portfolio Characteristics

- Expected Return based on CAPM
 - With the assumption of 90-day T-Bill Rates of 0.1495 % and market risk rate of 0.7496%, the monthly expected return is 0.2003%

- Expected Return based on MPT
 - With the assumption of the optimal portfolio including the 5 shorted stocks, the monthly expected return is 4.5879%

Portfolio Performance





Highlight of Portfolio Performance

- By the end of Sep. 30, 2002, portfolio value has shrunk to \$ 11,943.35 which reflects a 30.07% loss

- External Events
 - Low level of consumers confident
 - Concerns over corporate scandals
 - The uncertain threat of war with Iraq



Highlight of Portfolio Performance

Internal Events

- CAH
 - Announced the acquisition of Syncor International
- DUK
 - Government investigation of purchases and sales of power at the same price
- MWD
 - Third quarter earning below Wall Street estimate
- ADP
 - Increase in unemployment rate
- EMC
 - Announced the acquisition of Prisa Networks



Recommendations

- This portfolio is suited for risk-averse investors with long-term horizon
- This portfolio should be part of investors' more diversified core holdings
- Recommended portfolio allocation is 100% stocks and 0% risk-free instruments

Questions ?
