**FIN 455 MID 2 PROJECT MzF**

Now that we’re done with the second part of this course – it’s time again to apply what we have learnt in a Bangladeshi context… welcome to your **MID 2 project**

The purpose of this project is to test your knowledge of portfolio optimization in excel. Additionally, you will be required to demonstrate your ability to create workable templates *(because appearance matters!!)*. Let’s get started –

**You will be working with a 4 asset portfolio.** Choose your assets based on your judgment but remember – they shouldn’t ALL be positively correlated *(you know what would happen then).*

Create your first template using **mean-variance** portfolio optimization/theory. Your calculations should clearly show the var-cov matrix, the efficient frontier – and should include explanations for EVERYTHING. Use the DSE website, stockbangladesh, or the Lanka Bangla portals for info.

Now create another template – same idea – except – you will incorporate **CAPM** into your optimization. Consider the prevailing risk free rate (its available everywhere) – and plot the efficient frontier again. Is there a difference? Why? Why not? Which do you prefer?

The last part of the project requires you to make **ONE hypothesis regarding ONE single stock** in your portfolio. Apply **Black-Litterman** and optimize the portfolio. Remember the use of the normalizing factor, and remember all of the inspiring stuff I discussed about Black-Litterman.

As we have done before – we will be presenting our findings to my favorite portfolio manager/financial analyst – and we will compare our views against his (an industry professionals’). You will be graded on three criteria – **CONCEPT (your understanding of the problem) – CONTENT (your approach to a solution) & DESIGN (the overall presentation of your findings, spreadsheet, etc).**

Good luck!