LISBON SCHOOL OF ECONOMICS & MANAGEMENT
UNIVERSIDADE DE LISBOA

Case Studies in Financial Engineering

CASE 1

Thompson Asset Management

Harvard Business School, Case No. 9-914-565
July 10, 2014

Sept. 2020

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1. How do you compare the return and risk characteristics of both portfolios, using the statistics mentions in case Exhibit 4?

2. Considering that the management company has to disclose information about the risk profile of the portfolios:

a) Which indicators would you disclose?
b) How would you disclose them?
c) What would be the calculation basis and frequency?
d) What would be the reasons for these choices?

3. If you wish to change sharply the risk profile of both funds, by reducing the risk exposure to levels corresponding to half of those observed in the last year, which measures would you propose and why?

a. If futures or options contracts are used, please identify these contracts (number and the type of contracts).
b. If portfolio changes are proposed, please identify the assets to be sold and bought.

4. Would any of these portfolios be suitable under a discretionary management mandate given by a human rights activist, known by following strict social responsibility principles?

5. Please assess these portfolios from an ESG (environmental, social and governance) point of view.

6. Would a focus on socially responsible investments lead to a lower portfolio performance? Please justify properly (namely by researching the literature on the performance of this type of investments, e.g. Lobe, S., Walkshäusl, C. (2016), "Vice versus virtue investing around the world", Review of Managerial Science, No.10, pp. 303–344).