



Darden Capital Management The Monticello Fund Case Report

Introduction and Problem Statement

Case study of Darden Capital Management – The Monticello Fund which is managed by a team of students from Darden Graduate School;

The problem statement of the study is represented by the formulation of an appropriate solution regarding the portfolio strategy that should be enhanced for the Monticello Fund.

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Data Analysis

Throughout this study, the risk will be analyzed using the beta coefficients, along with the inquiry of the other statistical measures, like the correlations between the stocks, their anticipated annual returns, as well as anticipated EPS.

First Proposal

The beta coefficient for the Micron Technologies stock has the value of 2.19.

=> that investing only in a portfolio of this stock would mean that the investor accepts a portfolio characterized by high volatility - fact contradicting the requirement of the fund.

Second Proposal

A portfolio of Mylan Labs and Placer Dome stocks should be formed.

For this proposed portfolio to act along with the market, 174% of the portfolio should be invested in Mylan Labs and a short position should be engaged in the investment of -74% in Placer Dome stock.

Third Proposal

50% Mylan Labs and 50% in Placer Dome

=> the return is slightly lower than the previous solution, to a value of 19.86% and an increased risk ($\beta=25.5\%$).

Our Proposals

Micron Technology 84.5% and Mylan Labs 15.5%

- negative correlation
- $E(R_p) = 12.62\%$
- $\beta = 1.89$

Boise Cascade 84.61% and Mylan Lab 15.39%

- positive low correlation
- $E(R_p) = 10.82\%$
- $\beta = 1.01$

Data Analysis Conclusion

The investor should take a long position in Mylan Labs. and a short one in Placer Dome, for a risk equivalent to the market risk ($\beta=1$), having an expected portfolio return of 21.96%.

Students' Proposal Analysis

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