Year 11 | Session 6 | Decision-making activity

Investment simulation

- You're going to be **financial advisers,** working in pairs.
- Your teacher will allocate you **one** of the three **client profiles** below.
- Your client has put aside **£2,000** to invest for the future. It's your role to choose an appropriate **investment strategy** for your client who is looking to grow their money over a **10-year period**.

The clients

Zara

Zara is a partner at a small law firm. She has a partner and two children. She has a high paying salary and lots of savings as she started a savings account when she was 18, working as a waitress. She is looking to invest some of her income in order to make a return allowing her to pay off her mortgage in her 40s.

Karim

Karim has a family of three kids and cares for his father who is unwell. He works as a director at a child's rights charity so has a steady income and a good pension plan which will support him in the future when he gets to retirement (leaves work). He is looking for his investment income to help him support his children with university or living costs when they leave school.

Lucy

Lucy is in her late 30s. She is a consultant with lots of finance and retail clients, like banks, big beauty and fashion brands. She has no dependents (nobody relying on her) and owns her apartment in a city, and has a steady plan to pay off her mortgage.

Stage 1: Risk profiles

Read through your profile, underlining or highlighting key words.

Choose an an appropriate risk profile for your client: low, medium or high (circle your risk level below)

Low **Medium** **High**

Key risks and investment choices

Client name:
Risk level:

Stage 2: Investment risks

Complete the 'Key Risks' column in Table 1, matching the key risks below to the different investment options

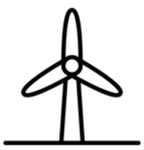
Key risks		
(A) Less affected by consumer demand changing as people always need to buy food.	(B) Risk of technology failing or not working makes it a high risk investment.	(C) It's a speculative and volatile investment, which is hard to value precisely
(D) Affected by inflation and interest rate changes	(E) Consumer spending and confidence are risks. (The cost of raw materials and supply chains are additional risks)	(F) Air travel is hard to predict as shocks like a global virus or terrorist attacks can have a big impact.
(G) Affected by whether demand for housing, offices or shop buildings is weak or strong. It's difficult to sell quickly (illiquid)	(H) Overall economic conditions (ie economic growth) will affect the value but, being an index tracker, it's better diversified compared to individual stocks	

***These are illustrative examples and the associated risks will change over time due to circumstances.**

Table 1

	Name	Asset type	Risk level	Key Risks	Amount allocated
1	UK Government bonds	Bonds	Very low	(D) Affected by inflation and interest rate changes	
2	Coolify - digital currency	Digital asset	High		
3	Shares in Swiftness	UK sports retailer with international customers, individual company stock	Medium-High		
4	Index tracker following the FTSE 100 (the top UK 100 companies)	Tracker of stocks	Low		
5	PrimeEstate	Real estate	Medium		
6	Shares in SuperBuy Supermarket	Individual established company stock	Medium		
7	Shares in Turbine	High tech wind power stock	High		
8	Shares in FlyFreedom	Commercial airline company individual stock	Medium-High		



Investment portfolio

Stage 3: Rules of the game - allocating the money

Distribute the £2,000 into the different investment opportunities, according to the risk profile of your client.
Use Table 1 to help you do this: you may play around with the numbers so it's a good chance to test these in Table 1 before inputting your final version into Table 2 below.

Rules of the game

1. You must invest in a **minimum of 4 assets** to have some diversification and you can choose to invest in all asset options.
2. You need to invest a **minimum of £100 per investment**.
3. You will need to pay a **flat fee of £50** to make these transactions. Take this off the £2,000 you have to invest!

Table 2

	Investments								**Total value of investments**
Investment opportunities	**UK government bonds**	**Coolify: Digital currency**	**Swiftness: High performance sports retail company**	**Index tracker following the FTSE 100**	**PrimeEstate: Real estate company**	**SuperBuy: Supermarket**	**Turbine: Wind power company**	**FlyFreedom: Commercial airline company**	£2,000
Initial investment distribution after fees									£1,950
Year 1									
Year 2									
Year 3									
Year 4									
Year 5									
Year 6									
Year 7									
Year 8									
Year 9									
Year 10									
Final amount after 10 years									
Amount made/ amount lost									

Playing the game | Learnings from the activity

Stage 4: Playing the game

1. We will play the investment game for **10 years.**
2. Each year there will be a **newsflash** that comes up on the slides where certain investments will be affected. You will need to work out how much value your investments are worth after the change.
   a. You'll see that some years you won't need to make any changes as the news won't affect your investments, but some years more than one of your investments may change in value.
3. We'll go through a **worked example together** now.

Calculations box

Stage 5: Reflections

1. How does it make you **feel** when your investments (a) rise and (b) fall?
2. **Comparing** your investment strategy and overall portfolio increase/decrease to another pair with the same client, what was similar and what was different?
3. What are the **three main things you have learnt** about investing from working on this activity?

Reflections box