

CFA Institute Research Challenge Hong Kong Local Final 2016-17

INTRODUCTION

The Hong Kong local final CFA Institute Research Challenge hosted by **The Hong Kong Society of Financial Analysts** is a competition between university-sponsored teams that research a designated publicly traded company, prepare a written report on that selected company and then present their findings to a panel of judges. The competition has three levels: Local, Regional, and Global. Winners at the Local level advance to compete against Teams within their geographic region at the Regional level. Winning Teams at the Regional level advance to compete at the Global level. One team is designated the ultimate winning team, or Champion, at the Global level. No purchase is necessary in order to participate.

1. GENERAL PROVISIONS

1.1 Conflicts of Interest

All participants in the CFA Institute Research Challenge, including hosts, teams, team members, industry mentors, faculty advisers, judges, and graders have an obligation to avoid actual or potential conflicts of interest with their participation. A conflict of interest is any matter that could reasonably be expected to impair an individual's independence and objectivity or interfere with an individual's duties. A conflict may be actual or perceived. As an example, a conflict of interest may exist when a participant or a participant's family member or close friend is involved in activities that affect the participant's ability to perform his or her role fairly and impartially, but conflicts of interest can arise even without a personal relationship. For instance, hosts, mentors, and advisers also have an obligation to avoid purposefully or inadvertently pressuring teams to make a particular investment recommendation.

To avoid any actual or perceived conflicts of interest, each participant must disclose to CFA Institute in writing any potential conflicts, including but not limited to any ownership interest in the subject company and any close personal or professional relationships with employees at the subject company. Judges and graders must further disclose any close personal or professional relationship with team members, mentors, or faculty advisers.

CFA Institute (with assistance as necessary from the local level host) will investigate any disclosures of actual or potential conflicts of interest. If a conflict of interest is found to exist and cannot be reasonably and timely cured, the individual with the conflict of interest will be disqualified from participation. If CFA Institute determines that it is necessary to protect the integrity of the competition, CFA Institute may disqualify a team from the competition if any team member, industry mentor, or faculty advisor is found to have a conflict of interest that is incapable of being reasonably and timely cured. In extraordinary circumstances where a local level host is found to have a conflict of interest, CFA Institute may, in its discretion, disqualify the local level host and all teams from that location from participation in the CFA Institute Research Challenge. The decision of CFA Institute regarding the existence of a conflict of interest and its determination regarding the disqualification of any individual or team are final and binding.

1.2 Plagiarism

Plagiarism is defined as copying or using in substantially the same form materials prepared by others without acknowledging the source of the material or identifying the author and publisher of such material. Teams can read existing research on the subject company, but all analysis should be their own; they may not copy analysis (i.e., plagiarize) from another source.

Teams also must not:

- a. use excerpts from articles or reports prepared by others either verbatim or with only slight changes in wording without acknowledgment,
- b. cite specific quotations as attributable to “leading analysts” and “investment experts” without naming the specific references,
- c. present statistical estimates of forecasts prepared by others and identifying the sources but without including the qualifying statements or caveats that may have been used,
- d. use charts and graphs without stating their sources, or
- e. copy proprietary computerized spreadsheets or algorithms without seeking the cooperation or authorization of their creators.

The prohibition on plagiarism applies both to a team’s written report and its presentation.

Sourced information should be properly cited using a generally accepted citation system. Generally accepted citation systems include, but are not limited to, the Chicago Manual of Style, the Harvard referencing system, and MLA (Modern Language Association) style.

Allegations of plagiarism will be investigated by the local host (at a local level competition) or by CFA Institute (at the regional or global competition). Teams found guilty of plagiarism will be disqualified and reported to the CFA Institute Professional Conduct Program. The team’s university may also be ineligible to participate in the following year’s competition. The decision of local host or CFA Institute (as applicable) regarding plagiarism is final and binding.

1.3 Third Party Intellectual Property Rights

Related to the concept of plagiarism, respect of third party intellectual property rights is essential to the CFA Institute Research Challenge. While teams are free to include text, images, graphics, or other logos in their written reports and presentations as permitted by these rules, it is the obligation of each team to ensure that the use of any third party materials complies with all applicable copyright and trademark laws. Third party images included in any written report or presentation must be appropriately licensed from the images’ owners. Where legally necessary, teams should secure the permission of the owners of any trademarks or service marks incorporated into their written report or presentation. CFA Institute encourages each local host to work with the subject company it selects to provide its local teams with the necessary permissions to use the local host’s trademarks or other intellectual property in their CFA Institute Research Challenge written reports and presentations. By participating in any level of the CFA Institute Research Challenge, each team represents and warrants that neither its written report nor its presentation infringes or violates the copyright, trademark, trade secret or other intellectual property right of any third party anywhere in the world.

By participating in the CFA Institute Research Challenge, CFA Institute grants each participating team a non-exclusive, non-transferable, revocable license to use the CFA Institute name and logo as specified in Appendix B to these Rules for the limited and specific purpose of that team’s participation in the CFA Institute Research Challenge. Teams will use those materials only as specified in Appendix B and these Rules. No other use of CFA Institute’s intellectual property is permitted. Teams may not change or alter the CFA Institute name or logo in any way.

1.4 Use of Reports

CFA Institute shall own the copyright in all materials prepared by or for hosts, teams, industry mentors, graders, judges, or faculty advisers in connection with the CFA Institute Research Challenge. The written reports and presentations prepared for the challenge may not be used for any purpose other than participation in the CFA Institute Research Challenge.

By participating in the CFA Institute Research Challenge, each participant agrees to CFA Institute’s Privacy Policy and agrees that CFA Institute its affiliates, fulfillment houses and advertising & promotion agencies shall have the right to use such individual’s name, voice, photograph, likeness, their appearance in film, essay and/or biographical information, for purposes of advertising, trade or publicity, in any medium or forum throughout the world in perpetuity, without further compensation, unless prohibited by law.

B. OFFICIAL RULES – HONG KONG LOCAL FINAL

2. TEAMS

2.1 Team Composition

- a) Only one team may represent a university.
- b) Each university is responsible to assemble a team to represent it in the Challenge by the appointed deadline.
- c) Teams may consist of no fewer than 3 and no more than **5 students** enrolled in the current term at the university that they represent.
- d) Each university team may consist of **undergraduate, graduate, or a combination of undergraduate and graduate** students.
- e) There can be no alternates. If a team loses one of its members, that member can be replaced no later than two weeks prior to the submission of the Written Report at the Local level. If a team falls below 3 registered members after this date, they may not be eligible to continue in the competition.

2.2 Team Member Requirements

Each Team Member must:

- a) accept the terms of CFA Institute's Participation Agreement upon registration;
- b) agree to abide by the CFA Institute Code of Ethics and Standards of Professional Conduct;
- c) be a currently enrolled university student in an undergraduate or graduate program at the time of the Local level Opening Ceremony³;
- d) be registered for at least a part-time course load, as defined by his or her university, at the time of the local level Opening Ceremony.
- e) **confirm your participation by returning the Registration Form to HKSFA on or before Monday, 19th September 2016. Names of participants can be submitted later by Thursday, 29th September 2016.**
- f) **complete the official registration form on the CFA Institute Research Challenge website no later than Wednesday, 26th October 2016.** Timely completion of the official registration entitles each student to receive a participation certificate from CFA Institute.
- g) If the team member has graduated at the time of the local, regional, or global final, the team member may still participate in the competition.

2.3 Ineligibility

An individual is ineligible to be a Team Member, if that individual:

- a) has previously participated as a team member at any level of the CFA Institute Research Challenge on any team that has submitted a Written Report at the Local level;
- b) has been, or is, employed in a role whose primary duty involves fundamental company analysis at the time of the Local Final's **Opening Ceremony (i.e. 17th October 2016)**; unless the team member qualifies as an intern, and is permitted to participate as a team member, under HKSFA's Local competition rules.
- c) has been, or is, a CFA charterholder; or
- d) is employed by CFA Institute or the local host; or
- e) has been sanctioned by the CFA Institute Professional Conduct Program.

Fundamental company analysis is defined as the examination of publicly available information and the formulation of forecasts to estimate the intrinsic value of an equity security. Examples include estimating an equity security's value using company data, such as earnings and sales forecasts, and risk estimates as well as industry and economic data, such as economic growth, inflation, and interest rates.

2.4 Research

Only Team Members may conduct research on the Subject Company for the purposes of the CFA Institute Research Challenge. Teams may use only publicly available information in conducting their research.

- a) Teams may utilize their Industry Mentor and/or Faculty Adviser as resources, but may not enlist the help of any other professionals in conducting research specific to the Subject Company.
- b) The Written Reports and Presentations should be prepared from the perspective of an independent research analyst.
- c) Teams can read existing research on the Subject Company, but all analysis should be their own; they may not copy analysis (i.e., plagiarize) from another source into their Written Reports or Presentations. Sourced information should be properly cited using a generally accepted citation system.

2.5 Interaction with Subject Company

Teams may not have contact with subject company corporate executives for the purposes of the CFA Institute Research Challenge other than during the informational session (described in the following text) and the one permitted follow-up communication.

- a) The subject company may provide teams with an informational session. The informational session may include a question and answer (Q&A) session during which time teams may pose questions to the subject company and the subject company may respond.
- b) Teams may send one follow-up email to the subject company. When contacting the subject company, each team must confine their contact to those corporate officers who normally interact with investors, such as investor relations officers, CEOs, or chief financial officers.
- c) Teams may not contact subject company corporate executives for the purposes of the CFA Institute Research Challenge other than the informational session, the Q&A session, and the one permitted follow-up communication.
- d) Teams are permitted to interact with the company as a member of the general public (e.g., teams may dine in a restaurant that is a subject company or take a tour of the subject company if it is publicly available).
- e) Teams may contact the subject company's customers, competitors, former employees, and suppliers in conducting research, including surveys; however, each team member must identify him/herself as a student and disclose his/her participation in the CFA Institute Research Challenge.
- f) Prior to contacting the subject company, its customers, competitors, former employees, or suppliers, the team must submit its questions to the faculty adviser or industry mentor. The faculty adviser or industry mentor must participate in each communication but only for the purpose of ensuring that no material nonpublic information is discussed. Faculty advisers and industry mentors are not permitted to ask any questions or provide any opinions on the subject company. The time spent by the faculty adviser or industry mentor while monitoring this kind of communication will not count toward the maximum number of hours allotted for faculty adviser or industry mentor involvement.

CFA Institute defines an **internship** as real-world work experiences in which students fulfill short-term positions within a company or organization in order to gain hands-on experience and develop career-specific skills. Internships may be paid or un-paid, with or without academic credit, and are of varying lengths.

Publicly available information includes:

- 1) Information in company financial statements, press releases, and
- 2) Information in the media about the company and its competitors
- 3) Information from data aggregators (e.g., Bloomberg, CapIQ, FactSet, etc.)

Publicly available information does not include:

- 1) Information about the company that is (or should be) known only to staff or some staff employed by the company or firms with whom the company does business.
- 2) Information that is (or should be) known only to those involved in legal or regulatory proceedings involved with the company.

2.6 Written Reports

Each Team must prepare a written research report on the Subject Company. Teams may utilize their Industry Mentor or Faculty Adviser as resources, but may not enlist the help of any other professionals in writing the actual report.

The Written Report must:

- a) conform to the guidelines set forth in Attachment A, "Written Report Guidelines;" the cover pages are shown in Attachment B;
- b) not exceed 10 A4-sized pages, but may include an appendix no longer than 20 A4-sized pages;
- c) contain only publicly available information;
- d) be the original work of the Team Members;
- e) be prepared from the perspective of an independent research analyst; and
- f) **be submitted to the Local level host (i.e. HKSFA) by the deadline, i.e. before 4:00p.m. on 30th November 2016 (Wednesday) by email to hksfa_rc@yahoo.com.hk.**

The Written Report will be graded according to the criteria set forth in Attachment D, the Research Report Evaluation Form.

****The 5 teams with the highest Written Report scores will advance to give a presentation to a panel of judges. Other teams will be invited to attend the Local Final on 25th February 2017 (Saturday).***

Volunteer charterholders who mentor or advise students must request and receive permission from their firm to share reports prepared either within their firm or from outside sources. Additionally, all volunteers who work with students should ensure that they understand how to avoid plagiarism and what is required when citing the work of another research analyst.

Generally accepted citation systems include, but are not limited to, The Chicago Manual of Style, the Harvard referencing system, and the MLA Style.

Instructions on how to change the paper size in Microsoft Word are available in Attachment C. Hosts may impose penalties for late submissions. Penalties may include, but are not limited to, point deductions or disqualification from the competition. The decision to impose penalties and the extent of those penalties is at the discretion of the host.

2.7 Presentations

The 5 teams with highest score will make a Presentation of their findings to a panel of Judges.

- a) Teams may utilize their Industry Mentor and/or Faculty Adviser as a resource for guidance, direction, suggestions, and feedback but may not enlist the help of any other professionals in preparing content or evaluating the Presentation, including conducting practice presentations in front of one or more professionals (e.g., mock judging panels). **Teams may utilize presentation coaches or other public speaking resources as long as those resources do not contribute to the content of the presentation.**
- b) The students may not hand the Judges any printed materials before/after the Presentations but the Local Host will print out or prepare soft copies of the Presentation slides for each Team and distribute to the Judges before the event.
- c) Teams may not use props in their Presentation.
- d) Only Team Members may participate in the Presentation.
- e) The Presentation is limited to 10 minutes; however, an additional 10 minutes will be provided to answer questions posed by the Judges. Only Judges are permitted to pose questions to a Team during the question-and-answer portion of a Presentation.
- f) Each Presentation will be timed and the Timekeeper will provide a one minute warning and an announcement when time has expired. When the Timekeeper announces that time has expired, Teams must immediately conclude the Presentation.
- g) Presentations will be judged according to Attachment E, the "Presentation Scoring Sheet".
- h) **The softcopies of the Powerpoint slides are due to HKSFA staff no later than 1:00pm on Thursday, 23rd February 2017.**
- i) The **Local Final and Award Ceremony** will be held on **Saturday, 25th February 2017.**

3. FACULTY ADVISERS, INDUSTRY MENTORS, JUDGES AND GRADERS

3.1 Faculty Advisers

- a) Each Team will be provided one Faculty Adviser. The Faculty Adviser must be currently employed as a faculty member by the Team's sponsoring University.
- b) The Faculty Adviser will be selected by the Team's University.
- c) The Faculty Adviser's primary responsibility is to provide guidance and direction to the Team throughout all levels of competition.
- d) The Faculty Adviser may not contribute any research or content to either the Written Report or Presentation other than by providing guidance, direction, suggestions, and feedback.

3.2 Time Permitted with Faculty Advisers

Teams are permitted to use a faculty adviser on substantive matters for limited hours. Teams may spend up to 10 hours with the faculty adviser prior to submitting the written report. For each local, regional, or global final in which the team competes, the faculty adviser may contribute an additional three hours. Logistical work, such as arranging meeting space and times and class attendance, does not count toward the time limit. Failure to abide by these time limits will result in the team's and the faculty advisor's disqualification from the CFA Institute Research Challenge.

3.3 Industry Mentors

Each Team will be provided one Industry Mentor.

- a) The Industry Mentor will be selected by the Local level Host.
- b) The Industry Mentor may review the Team's written report, but may only provide comments.
- c) The Industry Mentor may not contribute any research or content to either the Written Report or Presentation.
- d) Students may not receive assistance from additional finance industry professionals.

A prop is defined as an object used by students to enhance or illustrate an aspect of the team presentation.

3.4 Time Permitted with Industry Mentors

Teams are permitted to use an industry mentor on substantive matters for limited hours. Teams may spend up to six hours with the industry mentor prior to submitting the written report. For each local, regional, or global final in which the team competes, the industry mentor may contribute an additional two hours. Logistical work, such as arranging meeting space and time, does not count toward the time limit. Failure to abide by these time limits will result in the team's and the faculty advisor's disqualification from the CFA Institute Research Challenge.

3.5 Judges and Graders

Judges

- a) Judges will evaluate each Presentation using the Presentation Scoring Sheet attached as Attachment E.
- b) Each Local level competition must have a minimum of three Judges per panel.
- c) The Judges will be selected by the event Host. All Judges must be investment professionals with experience in writing and reviewing research reports.

Graders

- d) Graders will evaluate each Written Report using the Research Report Evaluation Form attached as Attachment D.
- e) Graders will be selected by the event Host.
- f) All Graders must be investment professionals with experience in writing and reviewing research reports.

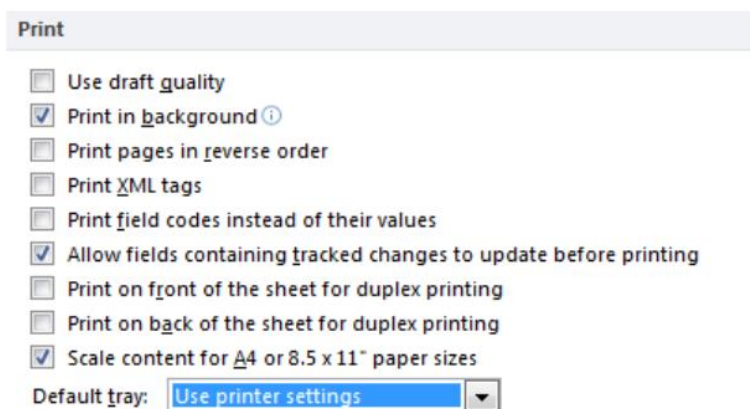
Attachment A – Written Report Guidelines

Each team must prepare a written research report on the subject company chosen by the local host. Teams may use their industry mentor or faculty adviser as resources, but may not enlist the help of any other professionals in writing the actual report.

The Written Report must:

- be no longer than ten pages (not including the front and back covers provided by CFA Institute) on A4* sized paper (210mm × 297mm, 8.27" × 11.69"), although you may include an appendix no longer than 20 A4-sized pages;
- include the following information in a header on the first page:
 - Company name
 - Exchange
 - Ticker symbol
 - Sector
 - Industry
 - Recommendation (buy/sell/hold)
 - Current price (as of ___date)
 - Target price (% increase/decrease)
- contain only publicly available information;
- be the original work of the team members;
- be prepared from the perspective of an independent research analyst;
- be submitted to the local-level host by the deadline established by the host;
- include the front and back covers provided by CFA Institute with the information in highlighted text filled in (teams must not alter any other part of the cover pages, including the CFA Institute logo); the back cover should be placed after the appendix; and
- contain (but is not limited to**) the following sections:
 - Business Description
 - Industry Overview and Competitive Positioning
 - Investment Summary
 - Valuation
 - Financial Analysis
 - Investment Risks
 - Corporate Governance

*If you would like to print an A4 sized document to Letter sized paper, you can select the option to automatically resize the document in your printing options by selecting Page Layout > Page Setup > Print Options > Advanced. Ensure that "Scale content for A4 or 8.5 x 11" paper sizes" is selected:



The image shows a 'Print' dialog box with the following options:

- Use draft quality
- Print in background ⓘ
- Print pages in reverse order
- Print XML tags
- Print field codes instead of their values
- Allow fields containing tracked changes to update before printing
- Print on front of the sheet for duplex printing
- Print on back of the sheet for duplex printing
- Scale content for A4 or 8.5 x 11" paper sizes

Default tray:

**You may also include other headings that cover important information not otherwise covered in the previously listed sections.

The reports will be graded based on the scoring rubric in [Attachment D](#). Take note of the comments section, which presents reasons why points may be deducted from each section.



CFA Institute

CFA Institute Research Challenge

hosted by



University Name

Disclosures:

Ownership and material conflicts of interest:

The author(s), or a member of their household, of this report [holds/does not hold] a financial interest in the securities of this company.

The author(s), or a member of their household, of this report [knows/does not know] of the existence of any conflicts of interest that might bias the content or publication of this report. [The conflict of interest is...]

Receipt of compensation:

Compensation of the author(s) of this report is not based on investment banking revenue.

Position as a officer or director:

The author(s), or a member of their household, does not serve as an officer, director or advisory board member of the subject company.

Market making:

The author(s) does not act as a market maker in the subject company's securities.

Disclaimer:

The information set forth herein has been obtained or derived from sources generally available to the public and believed by the author(s) to be reliable, but the author(s) does not make any representation or warranty, express or implied, as to its accuracy or completeness. The information is not intended to be used as the basis of any investment decisions by any person or entity. This information does not constitute investment advice, nor is it an offer or a solicitation of an offer to buy or sell any security. This report should not be considered to be a recommendation by any individual affiliated with [Society Name], CFA Institute or the CFA Institute Research Challenge with regard to this company's stock.



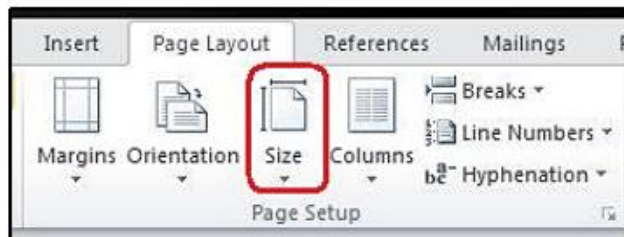
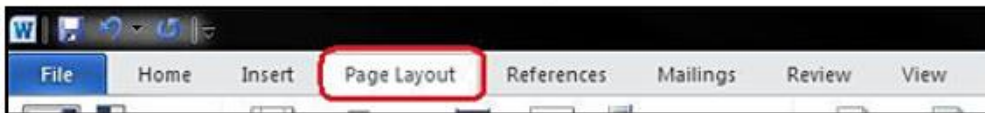
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Attachment C – How to Change Paper Size to A4

For Microsoft Word 2007/2010/2013:

- Open Microsoft Word.
- Click on the “Page Layout” ribbon.
- Click “Size.”
- Scroll until you find “A4.”
- Select A4.
- Watch a step-by-step video [here](#).



For Microsoft Word 2003:

- On the File menu, click Page Setup, and then click the Paper tab.
- Select A4.
- See the [Microsoft website](#) for more information.

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Research Report Evaluation Form

Section	Maximum Points	Comments
Business Description	5	
Industry Overview & Competitive Positioning	15	
Investment Summary	20	
Valuation	20	
Financial Analysis	20	
Investment Risks	15	
Corporate Governance	5	
Total	100	

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Presentation Scoring Sheet

Team: _____ **Judge:** _____

Criteria	Maximum Points	Points	Notes
Financial Analysis <i>How thorough was their analysis of the industry, company, and competitors?</i>	25		
Valuation <i>Were the valuation methodologies appropriate and detailed?</i>	25		
Presentation <i>How effective/convincing was their presentation? Was it logical and did the facts support the recommendation?</i>	20		
Question & Answer <i>Were they able to answer the questions effectively and with confidence?</i>	20		
Team Involvement <i>Team involvement in the presentation/questions and answers</i>	5		
Materials <i>Quality of slides</i>	5		
Total	100		