

FINA 472: Student Managed Investment Fund Fall 2018 Course Syllabus

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4:25-5:40pm, TR, 229
Office Hours: TR 2:30-4pm

Course Description

The course will provide students with hands-on experience in investment analysis as they manage a real portfolio. It will expose students to the decision making in the design of a portfolio management process, especially with respect to asset allocation, security selection, and risk management. The course will manage a portion of the BPF fund very “actively” in a sense that the portfolio may deviate a lot from passive stock market indices (e.g. S&P 500, Russell 3000, MSCI World Equity Index). One of the main objectives of the active management is to see if students can find analytical insights and data to predict the firm’s future revenue growth and operational efficiency beyond what other investors have already incorporated into stock prices. Another important objective of the active management is to see if students can achieve superior reward-to-risk in the portfolio by actively managing the portfolio risk. Students will face real-time decision problems for which textbooks and lecture notes provide little guidance. These instances provide valuable opportunities for students to apply their analytical insights in making difficult team decisions under substantial uncertainty and time pressure. To make the portfolio management process prudent and academically relevant, the course promotes scientific methods and evidence-based discussions in portfolio decision making. It strives to lessen the impact of subjective opinions and biases by emphasizing rules over judgments in portfolio decision making. The course discussion will emphasize the soundness/sensibility of investment hypotheses, sample selection, and empirical methods, as well as on the consistency/robustness of out-of-sample empirical evidence. In sum, this course offers a practical experience in professional portfolio management while emphasizing the role of analytics in decision making.

Required Resources

Text: All required readings will be distributed electronically.

Excel, Bloomberg, CapIQ: We will use Excel extensively. Bloomberg and CapitalIQ are available in the trading room (229), and will also be used extensively.

WSJ & The Economist: Current events are obviously a large part of this course. Regular access to the *Wall Street Journal* and *The Economist* are required.

Highly Recommended Reading

Running Money: Professional Portfolio Management, Stewart, Piros, and Heisler

Thinking, Fast and Slow, Daniel Kahneman

Blink, Malcolm Gladwell

Liar’s Poker, Moneyball, The Big Short, and Flash Boys, Michael Lewis

Fooled by Randomness, Nassim Nicholas Taleb

When Genius Failed, Roger Lowenstein

Against the Gods: The Remarkable Story of Risk, Peter L. Bernstein

Evaluation

Grade Scale

Tentative Schedule for FINA 472/772 Fall 2018*

Day	Date	Topic	Notes	Due Today
1	TH 8/23	Intro		
2	T 8/28	Evidence-based Investing		
3	TH 8/30	Evidence-based Investing		
4	T 9/4	Presentations		Strategy & Team Review
5	TH 9/6	Guest Speaker		BMC Certificate
6	T 9/11	FLORENCE	Class Canceled	
7	TH 9/13	FLORENCE	Class Canceled	
8	T 9/18	Presentations		Portfolio Review #1
9	TH 9/20	Evidence-based Investing		
10	T 9/25	Evidence-based Investing		Portfolio Review #2
11	TH 9/27	Presentations		Research Proposal #1
12	T 10/2	Presentations		Portfolio Review #3
13	TH 10/4	Presentations		Research Update #1
14	T 10/9	Presentations		Portfolio Review #4
15	TH 10/11	Evidence-based Investing		

Day	Date	Topic	Notes	Due Today
16	T 10/16	Presentations		Research Report #1
	Th 10/18	<i>Fall Break</i>	<i>No Class</i>	
17	T 10/23	Presentations		Portfolio Review #6
18	Th 10/25	Evidence-based Investing		
19	T 10/30	Presentations		Portfolio Review #7
20	Th 11/1	Evidence-based Investing		Research Proposal #2
	T 11/6	<i>Election Day</i>	<i>No Class</i>	
21	Th 11/8	Presentations		Portfolio Review #8
22	T 11/13	Presentations		Research Update #2
23	Th 11/15	Evidence-based Investing		
24	T 11/20	Presentations		Portfolio Review #9
	Th 11/22	<i>Thanksgiving</i>	<i>No Class</i>	
25	T 11/27	Presentations		Research Report #2
26	Th 11/29	Presentations		Research Report #2
27	T 12/4	Presentations		Portfolio Review #10
28	Th 12/6	Presentation to Investment Board		

*subject to change

University of South Carolina Honor Code

It is the responsibility of every student at the University of South Carolina Columbia to adhere steadfastly to truthfulness and to avoid dishonesty, fraud, or deceit of any type in connection with any academic program. Any student who violates this Honor Code or who knowingly assists another to violate this Honor Code shall be subject to discipline.

The Honor Code is intended to prohibit all forms of academic dishonesty and should be interpreted broadly to carry out that purpose. The following examples illustrate conduct that violates this Honor Code, but this list is not intended to be an exhaustive compilation of conduct prohibited by the Honor Code:

1. Giving or receiving unauthorized assistance, or attempting to give or receive such assistance, in connection with the performance of any academic work.
2. Unauthorized use of materials or information of any type or the unauthorized use of any electronic or mechanical device in connection with the completion of any academic work.
3. Access to the contents of any test or examination or the purchase, sale, or theft of any test or examination prior to its administration.
4. Use of another person's work or ideas without proper acknowledgement of source.
5. Intentional misrepresentation by word or action of any situation of fact, or intentional omission of material fact, so as to mislead any person in connection with any academic work (including, without limitation, the scheduling, completion, performance, or submission of any such work).
6. Offering or giving any favor or thing of value for the purpose of influencing improperly a grade or other evaluation of a student in an academic program.
7. Conduct intended to interfere with an instructor's ability to evaluate accurately a student's competency or performance in an academic program.

Whenever a student is uncertain as to whether conduct would violate this Honor Code, it is the responsibility of the student to seek clarification from the appropriate faculty member or instructor of record prior to engaging in such conduct.

Darla Moore School of Business

Code of Student Conduct for Undergraduate Students

The Darla Moore School of Business is recognized globally for educating students who are prepared to become responsible business and civic leaders. An effective learning environment where students and faculty value integrity, professionalism and diligence is foundational to this mission.

Consistent with these values, the Student Leadership Council and the faculty of the Darla Moore School of Business expect students to:

- Spend a minimum of two hours outside of class studying for each hour of classroom time;
- Exhibit classroom behavior that is respectful of faculty and fellow students;
- Refrain from the use of phones and other electronic equipment during class, unless permitted by the instructor;
- Arrive at class on time, actively participate in class, and not leave class early;
- Keep up with assigned readings and complete assignments on time;

- Contribute fully to team assignments;
- Respect the university's staff and be responsible stewards of its facilities; and
- Abide by the University of South Carolina Honor Code.

Approved by the Undergraduate Student Leadership Council and the Faculty of the Darla Moore School of Business

Accommodating Disabilities

Reasonable accommodations are available for students with a documented disability. If you have a disability and may need accommodations to fully participate in this class, contact the Office of Student Disability Services: 777-6142, TDD 777-6744, email sasds@mailbox.sc.edu, or stop by LeConte College Room 112A. All accommodations must be approved through the Office of Student Disability Services.

Bloomberg Market Concepts Certification

You will be required to achieve BMC Certification on a Bloomberg terminal. The command is BMC <Go>. It is free, and upon completion you will receive an electronic certification that is the deliverable. If you've previously completed BMC, simply turn in your old certificate.

Research Reports

The details will be discussed extensively in class, but each student will submit 2 individual research reports over the course of the semester. The reports will primarily be data-driven back-testing of investment hypotheses with write-ups and a presentation to the class.

Portfolio Review Activities

Each individual will be assigned to monitor a portion of the portfolio. It is that student's responsibility to know and understand each aspect of those investments (why do we own it?, which data-driven decision rule prompted us to buy it?, how has it performed?, what has changed?, etc.). This should be an ongoing process, but at 10 points during the semester, a presentation to the fund will keep us all informed.

Current Events

You are expected to read a large bulk of the Wall Street Journal daily and the Economist weekly. I realize that this is no small task, and that it is a lot of reading. I read both on my phone, which is very convenient. There is also an audio edition of the Economist that comes with the subscription, which is very easy to listen to. I will periodically post additional readings on Slack. Mostly they will be particularly important links to recent news articles related to class material. In addition to making you a well-rounded person, this is critical in investing (not to mention job interviews). At one point, you will present a 10-15 minutes talk on a current event or news item. The focus should be on how and why that item pertains to our investment process.

Slack

We will use Slack as a means of course communication. I will share the details in class, and you are expected to check regularly.

Extra Credit

As in life, there is no extra credit.