

FIN 4360
Student Managed Investment Fund
Winter 2018
Wednesdays 12:00 P.M. – 2:27 P.M.
327 Elliott Hall

INSTRUCTOR

Robert A. Uptegraff, Jr.

Special Instructor: Finance

Office Hours: Mondays & Tuesdays 5:45- 6:30 P.M.

Also by appointment

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(Response time for calls and e-mails within 24 hours/same day)

COURSE DESCRIPTION

FIN 4900 introduces undergraduate business as well as actuarial students to investing approaches and analytical techniques used for security analysis employed and implemented by professional money managers. The course is highly recommended for those students seeking to develop careers associated with or related to money management, investment analysis, financial analysis, as well as portfolio management and related financial services careers. Guest speakers from the investing community may grace the class to complement the course and give a real world perspective to investment management. Ultimately, the main focus of the course is to gain the experience and skills necessary to manage real money in a real world professional setting which includes the Student Managed Investment Fund sponsored by the Kresge Foundation!

LEARNING OBJECTIVES

FIN 4900 is the formal Student Managed Investment Fund course for which the Student Managed Investment Fund is a sub-account of the Kresge Foundation portfolio. The Kresge Foundation is the formal manager of the account which is structured as a separate and distinct brokerage account. The Kresge Student Managed Investment Fund, is a real \$2 million portfolio; any and all students managing the Student Managed Investment Fund MUST be formally enrolled in the course as they are officially Portfolio Managers. Decisions by portfolio managers to buy or sell any security will be formally presented to the Kresge Foundation as recommendations for changes to the investment fund. The Kresge Foundation reserves the right to override student recommendations and/or take independent action at any time and for any reason. This course will be beneficial for students who have a particular interest in seeking careers in investment management as well as those interested in obtaining the CFA designation. FIN 4900 is an experiential learning class, as such, it is NOT to be considered a traditional lecture-based course even though some lecture formats will be involved. Students serving as portfolio managers must take charge and show initiative by not only deciding the final portfolio and its composition, but also the direction of course discussion as well as course output structure. Because of this, it is critical that everyone is committed to producing high quality research and actively contributing to discussions.

Upon successful completion of this course, the student will be able to:

1. Interpret and apply a variety of valuation techniques for securities in general
2. Identify the drivers of a company's market value and interpret how economic, industry, or company events are likely to affect its stock price
3. Clearly, concisely, and effectively communicate investment ideas to potential clients whether in written format or via oral presentation
4. Utilize the necessary analytical tools, risk analysis methods, performance measurements, and benchmarking methods commonly used in the asset management industry
5. Incorporate practical insight from finance professionals cumulatively on an on-going basis
6. Build an impressive research portfolio to benefit a career search

Prerequisites

FIN 3220 and ACC 3010 with minimum of 2.0 and major standing

MATERIALS:

Textbook

Corporate Finance by Ross, Westerfield, & Jaffe
11th ed. McGraw-Hill
ISBN # 9781259298738



Other Reading Material

The Wall Street Journal and other publications such as *Barron's*, *The Financial Times*, *Business Week*, *The Economist* and any other investment related materials could be very useful for current events and trends in the investment management field.

MOODLE

The use of Moodle will be used throughout the course as I will be posting PowerPoint slides and problem solutions; assigning and collecting homework, and posting homework solutions. Moodle will also be used as a central location to post various files needed for operation of the course. If there are any issues or questions concerning technology or Moodle itself, you can call 1-248-370-4566 or 1-248-805-1625 and assistance will be available Monday through Friday from 9:00 a.m. to 8:00 p.m. In addition, you can directly contact me at 810-252-2900.

EXPECTATIONS

I expect the following from all students:

1. Attend all class sessions and do not be late! Professionals show up promptly on time!
2. No eating; cell phone use, or texting, etc... during class time
3. Be on top of Moodle before and after each class for assignments and ancillary materials
4. Be on top of your e-mail as I will communicate with you frequently via this method
5. You must identify yourself and which class you are in for any and all messages sent to me via e-mail
6. Never miss a homework assignment

Submit all homework assignments via Moodle (NOT E-MAIL) in either a Word, Excel, or PDF file document format- DO NOT DEVIATE FROM THIS! For those you using Apple products, the following link is important with respect to submitting Homework Assignments-please view this! <http://www.youtube.com/watch?v=IxxP7I5zy-8>

7. If you encounter difficulty-see me to get help as soon as possible!

It will be assumed that when an announcement is posted to Moodle-all students will read and hence be aware of such announcement!

FUND CHARACTERISTICS

Investment style:

Although final portfolio recommendations are driven by the student managers, it is expected that the portfolio managers will focus on a long-term value driven strategy to meet their performance objectives. This was the result of discussions between the Kresge Foundation and the SBA, the modest size of the Fund, and a belief that this approach would provide the best long-term returns. The fund's primary benchmark is the S&P 500 Index. Our objective is to outperform the benchmark without incurring additional risk.

Restrictions:

The School of Business Administration has also added additional requirements

- 1) The Fund's economic sector weightings can be no greater (lower) than 50% higher (lower) than the weighting of the S&P 500 GICS weight.
- 2) Firms within the portfolio must be publicly held companies reporting to the SEC for at least five years. This rule effectively eliminates most IPOs. This restriction is put in place to ensure that there is substantial accounting and market information available to apply a reasonable valuation model.

Trades:

While portfolio investment and rebalancing would usually occur at the end of the semester, student managers are free to trade at any time they feel necessary. However, an early trade still requires a written research report to be submitted to the faculty advisor and the advisory board.

HOMEWORK ASSIGNMENTS

Homework is intended to help you assess your understand the concepts you have studied and discussed in class. Assignments should be worked **after** you have studied and believe you understand the concepts. Homework is an essential part of the learning process; accordingly, you are expected to make a serious attempt to work all assigned exercises and problems. You are also encouraged to address exercises and problems not assigned.

Homework assignments will be given and will be due when stipulated in class and will account for 10 percent of your Final Grade! Think about this as it can significantly alter your final grade. Homework is graded on accuracy as well as participation and thoroughness of the work being submitted. If no serious attempt is made at homework it will be considered incomplete and no credit given. Late submissions will not be accepted unless you have special arrangements approved by me prior to the due date. For homework assignments, working with others is encouraged; however, the activity being rewarded is your attempt to develop a solution, not merely the act of submitting an assignment. Copying another student's work is unacceptable and both the copyer and copyee assignments will be rejected.

All homework that is assigned must be submitted through Moodle by the due date stipulated in class. File submissions for homework are to be titled: **“Your Name Homework Due X Date.”** You will want to initially write out your homework and then create a Word, Excel, or PDF file document (your choice) for submission.

Late homework assignments will not be accepted unless, at the discretion of the instructor, prior approval is granted or proof of an unavoidable emergency is established by the student.

CLASS PARTICIPATION, PEER REVIEW, & ATTENDANCE

Students are required to attend all classes. Active participation is critical and represents a significant portion of your overall grade. Active participation is expected whereby quality is more important than quantity. Students are expected to know their companies and sectors/industries well and be aware of current events and market conditions. In addition to class participation and discussion, a significant portion of your learning will occur outside of class – while you are reading and analyzing 10Ks, 10Qs, newspapers, the course texts, and other investing books, conducting sector/industry research, searching for companies to recommend, building valuation models, and crafting your sector/industry and buy/sell recommendation presentations. Class Participation, Peer Review, & Attendance will account for 10% of your Final Grade.

SECTOR PRESENTATION

Sector presentations will be done as a group and should be geared to be no more than 10 minutes in length followed by a Q&A session where anyone can ask questions. The central goals of the sector presentation are to:

1. Review the major industries within sectors to help the class understand the characteristics and dynamics of the industries/sector
2. Develop sector/industry thesis, which should provide ideas for sector/industry “tilts” within the portfolio

Each student will be assigned to one of the following sector teams:

- Consumer Discretionary and Staples
- Energy and Utilities
- Financial Services
- Healthcare
- Technology and Telecommunications
- Industrials and Materials

Each sector team will begin by dividing the coverage of each stock in the sector among the team members. Each team member will conduct a comprehensive review of his/her stocks within the sector. The review should include a comprehensive analysis of the business, management, balance sheet, and price (valuation) of the company. Each team will submit a PowerPoint presentation on buy recommendations, along with a two-page executive summary. These presentations will be posted on Moodle to provide everyone the opportunity to review their peers’ work and formulate questions prior to Stock Presentation Day. The Sector Presentation will constitute 20% of your Final Grade.

WRITTEN REPORT

A complete and thorough written report is to be prepared for each position within each sector. Current portfolio positions are to be analyzed and the requisite retain or liquidate decision will be made for each position with supporting evidence and reasoning. In addition, a written report will be created for all new recommendations resulting in a three sectioned report for each sector of the portfolio. Written Reports will comprise a total of 20% of your Final Grade.

STOCK PRESENTATION DAY

A final presentation on the Student Managed Investment Fund covering all stock recommendations whether they be for retention, deletion, or as a new recommendation will be covered in the Advisory Board Presentation. This is the most important part of the course and the central reason for the way the course is structured. As such: **Anyone absent on Stock Presentation day will not receive a passing grade for the course!**

Stock Presentation Day is the most important day of the course and attendance is mandatory. Presentations for each stock should to be approximately 10 minutes long, followed by about 5 minutes of Q&A. Your Final Presentation to the Kresge Advisory Board will account for 40% of your Final Grade!

NEVER FORGET- REAL MONEY IS BEING MANAGED!

GRADING

Grading Policy: Final Course Grade will be based on the following:	
Homework	10%
Class Participation, Peer Review & Attendance	10%
Sector Presentation	20%
Final (written) Portfolio Report	20%
Advisory Board Presentation	40%
Total	100%

Final course percentages will be converted to Oakland University's official 32 point grading scale using the following cutoffs. No grades will be awarded for individual components:

<u>Grading Scale</u>							
<u>Considered "A"s</u>		<u>Considered "B"s</u>		<u>Considered "C"s</u>		<u>Considered "D"s</u>	
4.0	100% -99	3.5	89- 87	2.9	77- 77	1.9	67- 67
3.9	98 - 97	3.4	86- 85	2.8	76- 76	1.8	66- 66
3.8	96 - 95	3.3	84- 83	2.7	75- 75	1.7	65- 65
3.7	94 - 93	3.2	82- 80	2.6	74- 74	1.6	64- 64
3.6	92 - 90	3.1	79- 79	2.5	73- 73	1.5	63- 63
		3.0	78- 78	2.4	72- 72	1.4	62- 62
				2.3	71- 71	1.3	61- 61
				2.2	70- 70	1.2	60- 59
				2.1	69- 69	1.1	58- 57
				2.0	68- 68	1.0	56- 55

Students **will not be evaluated or graded** on the performance of any stock and/or sector performance at any time in the course. Rather, grades will be based on research and overall effort and thoroughness of work done in the preparation of any and all aspects of written and oral presentations, and class participation. Peer review of buy/sell presentations and active participation during Stock Presentation Day are critical to the course!

ACADEMIC INTEGRITY

Academic misconduct of any kind is regarded as a serious matter at Oakland University. All allegations of academic misconduct will be reported to the Dean of Students and, thereafter, to the Academic Conduct Committee for adjudication. Anyone found guilty of academic misconduct in this course will receive a grade of 0.0, in addition to any penalty assigned by the Academic Conduct Committee.

FIN 4900 Winter 2018 Tentative Schedule

CLASS DATE	LECTURE TOPIC	Chapter Readings
January 3	Syllabus Course Expectations Bloomberg Basics & Certification! Sector & Current Portfolio Assignments Technology Assignments Homework Assignment #1	
10	Pictures taken! Bloomberg Filters Security Screening Homework Assignment #2	
17	Value Investing Cash Flows Valuation Model Homework Assignment #3	Ch.2

24	Valuation Model Discounted Cash Flow Analysis Homework Assignment #4	Ch.4
31	Dividends Continue Work - Sector Presentations Homework Assignment #5	Ch.19
February 7	Sector Presentation Day! Work On: Stock Valuations Final Written Report Final Presentation	
14	Growth Lecture Continue Working On: Stock Valuations Final Written Report Final Presentation Homework Assignment #6	Ch.11
28	Capital Asset Pricing Model (CAPM) Weighted Average Cost of Capital (WACC) Continue Working On: Stock Valuations Final Written Report Final Presentation Homework Assignment #7	Ch.13

<p>March 7</p>	<p>Optimal Portfolio Weights</p> <p>Stock Valuation</p> <p>Continue Working On: Stock Valuations Written Report Final Presentation-PowerPoint Presentation</p> <p>Homework Assignment #8</p>	<p>Ch.9</p>
<p>14</p>	<p>Investment Performance & Various Measures!</p> <p>Continue Working On: Stock Valuations Written Report Final Presentation-PowerPoint Presentation</p>	
<p>21</p>	<p>New York City Trip!</p>	
<p>28</p>	<p>Relative Valuation: P/E, PEG ratio, EV/EBITDA, Price/Sales, Price/Book</p> <p>Final Portfolio Due!</p> <p>Final Written Reports Due!</p> <p>Final Presentations Due!</p>	
<p>April 4</p>	<p>Rational Expectations/Efficient Markets Hypothesis</p> <p>Monetary & Fiscal Policy</p> <p>Stock Valuations Posted</p> <p>In Class Stock Presentations!</p>	

11	Stock Presentation Day! Practice Session 9:00 A.M. Lunch 11:30 A.M. Presentation Starts High-Noon!	
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CHANGES TO SYLLABUS

Changes to the syllabus may be made at the discretion of the instructor!