THE UNIVERSITY OF TEXAS AT AUSTIN
McCOMBS SCHOOL OF BUSINESS

FIN 366P: Finance Practicum Fall 2012

FINANCIAL ANALYST PROGRAM

Instructor: Dr. Kelly Kamm, Department of Finance

Kamm Email: kelly.kamm@mccombs.utexas.edu

Kamm Office Hours: 3:30-4:30 Tuesdays & 2-4 Wednesdays

T.A.'s: Names and contact information available on Blackboard

T.A. Office Hours: Available prior to major assignments & by email request

Sections 03435 03440, 03445: You should be enrolled in one of three sections

Class Time: Thursdays 3:30 – 5 trading center, 1st class is CBA 4.332

Required Packet: Speaker packet must be brought every class period

Required Outside Reading: Venture One Research article on blackboard; ongoing research

Room Reserved: 3:30-5 Tues CBA 4.332 for group work

Speaker Series: speaker time or line-up changes will be updated

COURSE OBJECTIVES:

In the fall term of the senior year, students in the Financial Analyst Program take the Finance Practicum. The finance practicum continues to develop the financial acumen of program participants and the application of finance theory to the real world. Students advance their knowledge by individual reading, study, and analysis of a current financial book on a topic such as private equity or hedge funds. A series of Investment Professionals will speak regarding various topics such as: LBOs and private equity, mergers and acquisitions, energy trading, venture capital, and alternative investments. Students take a very active part in the class in terms of interacting with speakers (taking notes, asking questions, visiting after class) and also by their own applied work. Each group of Financial Analyst Program students continues working under the mentorship of their Managers. Students keep in regular contact with their MBA Investment Professional or MBA Fund Managers and submit two assignments (homework) detailing interaction and progress. Students need to be very self-motivated and they must be able to attend class and work outside of class in their groups in order to earn a grade of B or A. Students also extend their ability to analyze and apply finance in three individual papers which are graded on both financial insight and writing ability. This term, the goal is to continue developing the economic, financial, and accounting skills to be strong finance students. In addition, each member shall develop skills in leadership, address topics of ethics, and acquire improved speaking and communication skills.

CLASSROOM EXPECTATIONS:

Attire: Because we have guest speakers, attire may be student dress-- as long as attire is neat-- to business casual, your choice. Please remove baseball caps or similar hats prior to class. Also during a speaker's presentation, your full attention to the speaker is expected at all times; if we are in the trading center you may not use the computer during the presentation unless you are following along with the speaker's power-point or model. Students assigned to lead questioning and interaction with the speaker should each ask at least one question to earn participation credit. By following these guidelines, we will best represent the McCombs School of Business to industry guests.

Conduct: Professional behavior is expected in the classroom. *Arriving on time, excellent attendance, being attentive and participating* are all essential for the success of the class and for you to be able to complete this practicum. Please provide documentation of excused absences via email. Please consult your schedule when setting up interview or travel plans. Excessive absences, even if excused, would mean an inability to get the applied knowledge from the expertise of the speakers. Thus, a record of three absences results in a withdrawal from the course and withdrawal from the program. When class starts, all of us will *cease side conversations* and focus time allotted on class. *Electronic devices are prohibited* during class and in particular this means *no texting or checking texts* once class has started. Adherence to the above expectations helps ensure a high participation / evaluation grade. Inability to meet these expectations will lead to a lowering of the final participation / evaluation grade.

EVALUATION:

Final grades will be determined as follows:

Attendance and Class Participation (Timely Arrival, Electronic Policy Adherence) 20%

Students are expected to attend the course and attendance grades will be assigned. I understand that many students are seniors who are currently interviewing. For this reason, I allow two absences over the term that may be excused and made up by attending one of the *Distinguished Speakers series* offered by the McCombs Business School. *No other speakers may be substituted and a third may not be submitted; if you do not have the acceptable write-up for a date for the paper, you simply write "none submitted*." Your paper grade will be adjusted accordingly. If you have four out of five speakers, for example, when most students have five out of five, then in terms of quantity your grade would be eighty percent.

The locations of the Distinguished Speakers series are to be determined and it is your responsibility to find out the details of the room. For the excused absence, you must make a request by email first. To make up the excused absence, you must attend one of the Distinguished Speakers, make sure to sign in and write the 1-2 page review afterward. In assigning the attendance and participation grade, I also take into account your preparation if required, participation (paying attention to a speaker, taking notes, asking questions especially when it is your turn to lead), and classroom etiquette such as following the finance department policy against electronic devices *especially texting*. *Timely arrival is expected*; since it is impolite and disruptive to arrive late on speaker days please *do not enter the room if you are not able to make it on time.* Inability to arrive on time will thus also count as an absence. Other

examples of disruptive behavior include talking or working on other items during presentations and lectures or violating the finance department policy against the use of electronics in the classroom. Examples of grading for this category follow.

Excellent attendance (allows 2 excused that are made up) & excellent participation: A- to A
Acceptable attendance (one absence more) & very good participation: B- to B+
Weak attendance (two absences beyond the two excused): C- to C
Unexcused or excessive absences, failure to make up work, disruptive – no points (0).

Texting, checking texts, inappropriate use of electronics counts as an unexcused absence
Late arrival counts as an unexcused absence

Two Individual Papers from the Speakers Series 20%

All papers must be submitted in hard copy form on or before the due date and time listed in the finance department, CBA 6.222. Late assignments will be downgraded 5 points per day. There are two individual papers related to the speakers—the first will be due after about half the speakers have presented and then the second is due after the other half have presented. Take notes during the presentation. After every speaker, write a one and a half page paper to 2 page paper, save, and then compile them for the papers. The first page might address the actual topic, case or finance example covered by the speaker. The second page might include a review from further research on your part regarding an interesting financial event at the speaker's company or further research on your part regarding a model or the topic highlighted. The paper may include a bibliography or reference page at the end. Speakers are a very important part of this course and the two papers will count 10% each for a total component of 20%. Note the requirements about speaker attendance under attendance and class participation as there are clear regulations regarding very limited ability to substitute for a missed speaker and this affects your paper grade. All papers will be graded on strength of financial analysis, originality and creativity, and how well written. See Blackboard for additional information.

Stock Competition Paper (Group Grade with individual component) 15%

All papers must be submitted in hard copy form on or before the due date and time listed in the finance department, CBA 6.222. Late assignments will be downgraded 5 points per day. The final group paper, 10 pages written plus exhibits, is an evaluation of the group's ranking in the General Portfolio and the subsector portfolio. In your group, highlight the best student portfolio from each of the two categories and analyze rankings. For the General Portfolio, analyze each of the six ranking categories and what factors helped or hurt the ranking. Provide any insights learned and what you might do differently if you participated in the competition again. For the subsector portfolio, again highlight the best portfolio. In addition, you shall include an individual element. There shall be as many individual DCFs as individuals in your group so four or five depending on group size. Represent as many subsectors as individuals in your group so again four or five depending on group size. Each individual shall execute a DCF for one of the stocks held in the portfolio and it shall not be a DCF or stock done for the manager or for any other class. Group members may assist one another; each individual is responsible for the DCF that lists his or her name and is to be included in the exhibit pages of the Stock Competition Paper. The breakdown will be 10% for the group section and 5% for the individual DCF. All

papers will be graded on strength of financial analysis, originality and creativity, and how well written. See Blackboard for additional information.

Stock Pitch: 2 HWs and Final Pitch (Group Grade with individual component) 25%

In groups, students pitch a stock to their MBA Fund Managers or their Investment Professionals. For this stock, you should request a stock from the manager or receive their approval for your suggestion. Twice during the term, each group submits a homework assignment updating me on interaction with the manager or managers and individual work you have completed to date. The first homework assignment is 2 pages. In the first HW assignment, you may review any email interaction, first meeting date, *suggestions from manager on how to improve or add value relative to last term*, and any other decisions by the FAP group on how to take initiative and move forward. The second group homework is minimum 5 pages but is likely to be more and in this homework submit any work undertaken to date on the stock pitch; include excel work, printouts from Bloomberg and FactSet, and power-points slides if you have gotten to that point.

Stock pitch homework assignments will be graded on meeting the deadline, extent of progress and effort made. The best time to complete your final stock pitch is in November but the final deadline is December 6th. After the presentation, students should email me a copy of the group power-point and any additional work. I contact your director / manager and request their evaluation and their grade suggestion for your work. Your own evaluation of member contributions will be submitted on the last class day or thereabouts. Based primarily on your managers' suggested grade but taking everything into account, I assign the grade for your stock pitch. Homework 1 counts 2%, homework 2 counts 3%, and the stock pitch counts 20%. Students in a group will generally receive the same grade on these assignments unless peer or manager evaluations suggest some individual component shall be applied.

Professor Evaluations, IP and MBA Evaluations, Peer Review (Individual) 20%

Class participation is based on the contribution of each student to the class as a whole and to the group efforts. Solid performance in this area depends on: *consistent attendance*; demonstration that you are on time and prepared for class as applicable; ability to lead and participate for example by taking notes during speakers' presentations and / or asking questions, effort level toward group papers and stock pitches; strong reviews by MBA Fund Managers and peers in their evaluations; and adherence to class policies (see below for class policies including *prohibition of improper use of electronics during class*). For most students, participation serves as a slight curve toward the final grade. After all components prior to this one have been scored, the grades are combined to provide an "objective average" or "starting point" grade for participation. I expect most or all students to perform at a high level, and thus must or all students will receive the "objective" grade or higher (up to a letter grade) for the participation grade. A student with poor attendance or poor effort in group work, or anyone who is disruptive earns a zero as opposed to a high grade.

Final Grades

We use the university grading system with pluses and minuses. Due to the high quality of the students in this class and the high level of effort required by each individual on assignments, there is no cap on grades or applied curve. The cutoff for an A grade is 94 before participation curve or 95 after the participation curve. The cutoff for an A- is 89 before the participation curve or 90 after the participation curve. Other cut-offs, are: B+ 87, B 85, B- 83, etc. Generally a grade of B- or lower would equate to not being able to meet the requirements of the program. See below.

*** Please note: Due to the applied investment aspect of the financial analyst program, there is a much higher level of responsibility on the part of each member. Students are encouraged to work together within their teams and across teams to help ensure a successful and rewarding year. Please contact me if you are having any difficulties. If a student has weak attendance or is not able to meet the obligations of the FAP at a high level, the student shall be withdrawn from the course and withdrawn from the Financial Analyst Program. Before continuing in the course and in the program this term, please evaluate your commitment level.*

Schedule

Thursday, August 30

Syllabus / Welcome back
Point person from group, email IP Advisor or MBA Fund Mgr, and cc Kamm
Set up 1st meeting to select a stock to pitch for group HW1 due in 3 weeks

Thursday, September 6, start meeting in trading center

Syllabus / Update on Speakers
Kamm, Institutional Investor Stock Competition, 2 portfolios per student, 8-10 per group
Note: Write 11/2 to 2 pages on Portfolio 1 & 11/2 to 2 pages on Portfolio 2 for Stock Competition

Mon**, Sept 10- Wed Sept 12**

DUE: At least one student from every group must have General Portfolio invested.
DUE: All students' subsector portfolios must be invested according to guidelines.

Thursday, Sept 13

Speaker: Travis DeVitt, Ancient Art LP, Investment Advisor to Tenton Capital Partners
Groups Lead Questioning: Ruebsahm and Consumer Groups
Note: Write 1 and a half to 2 pages and save to compile into individual paper

Thursday, September 20

Speaker to be announced
Groups Lead Questioning
DUE GROUP HW 1: 2 page report – interaction with manager, stock selected and why
Submit by 4 p.m. to finance department, CBA 6.222

Thursday, September 27

Speaker: Prudential Capital Group, Energy Finance
Groups Lead Questioning: Myers and Technology Groups
Note: Write 1 and a half to 2 pages and save to compile into individual paper

Thursday, October 4

Speaker to be announced
Groups Lead Questioning
Note: Write 1 and a half to 2 pages and save to compile into individual paper

DUE GROUP HW 2: *hard-copy* of stock pitch materials to date … interaction with manager, spreadsheets, power-points, research / references, etc. (5 page minimum, expect ½ way done).
Submit by 4 p.m. to finance department, CBA 6.222

Thursday, October 11

Speaker: Steven D. Kam, ASA, Cogent Valuation, San Francisco, CA (VC Valuation)
Groups Lead Questioning: Blackman and Financial Groups
Note: Write 1 and a half to 2 pages and save to compile into individual paper

DUE INDIVIDUAL SPEAKER PAPER 1
Submit by 4 p.m. to finance department, CBA 6.222

Thursday, October 18

Speaker to be announced
Groups Lead Questioning
Note: Write 1 and a half to 2 pages and save to compile into individual paper

Thursday, October 25

Speaker to be announced
Groups Lead Questioning
Note: Write 1 and a half to 2 pages and save to compile into individual paper

Thursday, October 30

Speaker to be announced
Groups Lead Questioning
Note: Write 1 and a half to 2 pages and save to compile into individual paper

Thursday, November 1

Speakers: Jeff Hurst, Home Away.com & Matt Matza, MD, Cyprus Real Estate Advisors
Groups Lead Questioning: Chen and Energy 4B Groups
Note: Write 1 and a half to 2 pages and save to compile into individual paper

Thursday, November 8

Speaker to be announced
Groups Lead Questioning
Note: Write 1 and a half to 2 pages and save to compile into individual paper

Thursday, November 15

Speaker to be announced
Groups Lead Questioning
Note: Write 1 and a half to 2 pages and save to compile into individual paper

Thursday, November 22: No Class, Thanksgiving holiday

Thursday, November 29

Speaker to be announced
Groups Lead Questioning
Note: Write 1 and a half to 2 pages and save to compile into individual paper

DUE INDIVIDUAL SPEAKER PAPER 2
Submit by 4 p.m. to finance department, CBA 6.222

Thursday, December 6

Kamm: Class Wrap up
Prepare / complete stock pitch to IPs / MBAs by this date or request short extension
Due upon completion: Stock Pitch PPTs & Models via email attachment

Monday, December 10

Due: Group Stock Pitch Paper with Individual DCFs in exhibits
Submit by 4 p.m. to finance department, CBA 6.222

Due: Individual, ½ page evaluation of group experience & individual contributions
(Hard copy, submit to finance department personnel to place in private envelope)

Please note: If any meeting times or dates need to be changed, it will be announced in class or you will be contacted by email.

Attendance is taken in the FAP Practicum course and is a part of your grade. You may miss and make up to two excused class periods by attending a McCombs VIP or other finance presentation that has been pre-approved by Kamm. Presentations related to other classes or programs you are in will *not* be accepted.

Various Class Policies

I. Electronics, Religious Holidays, Accommodations, other Policies

Electronics—I follow the department of finance policy on the use of electronics in class. This policy states that use of any electronic advices or tools (laptops, cell phones, various MP3 players, I-pod touch devices, etc.) during class is prohibited unless specifically requested by the professor of the class. This means that laptops are closed and all other devices are put away prior to the start of class; students shall not initiate nor receive text messages during class nor use Touch devices. If we need use of computers, we will be in the trading center; in the less likely event that we are in the classroom and need use of an electronic device, the instructor will make an announcement. Adherence to this policy facilitates the students' abilities to process class material and helps lead to a solid participation grade; failure to follow the policy results in a reduction in that student's participation grade.

Religious Holidays—The University is fortunate to have diversity in its student body including diversity of thought and practice that includes religious diversity. I do my best to avoid scheduling major projects around religious holidays but due to the great diversity of practices at the University, an unexpected scheduling issue may arise. In keeping with University policy I will excuse you from class on the day that is important for your religion, and if any unexpected conflict arises, we will make alternative plans. The best way to handle this situation from your end is to give me advance notice if you see a conflict. By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observation of a holy day. If you miss a class, an examination, a work assignment, or a project in order to observe a religious holiday, you will be given an opportunity to complete the missed work within a reasonable amount of time after the absence.

Accommodations—I follow the university policy on special accommodations and am happy to work with you on this matter. *The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY.* At the beginning of the term or prior to the first major project or test, please submit to me a letter prepared by the Service office listed above. Also, it is especially helpful if you email me one week ahead of the scheduled test (or project) reminding me of the nature of the accommodation so that we have plenty of time to make arrangements.

Attendance at your section – You are required to attend your own section. Attendance at the other section is not permitted. One exception to this rule is allowed per term (per student) if the

student submits a request prior to the class and the instructor is able to accommodate the request. No guarantees are made on accommodating such a request since most days require attendance at your section.

II. Honor Code, McCombs School Statement on Academic Integrity

The following are the University's written policies and can be found in part or in full on the university's web site at http://registrar.utexas.edu/catalogs/gi09-10/ch01/index.html, http://deanofstudents.utexas.edu/sjs/acadint_whatis.php, and http://deanofstudents.utexas.edu/sjs/acadint_plagiarism.php.

Honor Code

The core values of the University of Texas at Austin are learning, discovery, freedom, leadership, individual opportunity, and responsibility. Each member of the University is expected to uphold these values through integrity, honesty, trust, fairness, and respect toward peers and community.

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document.

By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at http://deanofstudents.utexas.edu/sjs/ *or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.*

The following was taken from the website for the Dean of Students:

A fundamental principle for any educational institution, academic integrity is highly valued and seriously regarded at The University of Texas at Austin. More specifically, you and other students are expected to maintain absolute integrity and a high standard of individual honor in scholastic work undertaken at the University. This is a very basic expectation that is further reinforced by the University's Honor Code. At a minimum, you should complete any assignments, exams, and other scholastic endeavors with the utmost honesty, which requires you to:

- acknowledge the contributions of other sources to your scholastic efforts;
- complete your assignments independently unless expressly authorized to seek or obtain assistance in preparing them;
- follow instructions for assignments and exams, and observe the standards of your academic discipline; and

- avoid engaging in any form of academic dishonesty on behalf of yourself or another student.

For the official policies on academic integrity and scholastic dishonesty, please refer to Chapter 11 of the *Institutional Rules on Student Services and Activities*.

Plagiarism

Plagiarism is (a) … serious violation of academic integrity. In simplest terms, this occurs if you represent ***as your own work*** any material that was obtained from another source, regardless how or where you acquired it. Using ***verbatim*** material (e.g., exact words) without proper attribution (or credit) constitutes the most blatant form of plagiarism. However, other types of material can be plagiarized as well, such as ***ideas*** drawn from an original source or even its ***structure*** (e.g., sentence construction or line of argument). By merely changing a few words or rearranging several words or sentences, you are ***not*** paraphrasing. Making minor revisions to borrowed text amounts to plagiarism.

Undergraduate Writing Center The undergraduate writing center offers free and expert help to aid the student in becoming a better writer. The center is located on the 2nd floor of the Flawn Academic Center. A consultation can be set up via the phone number 512 471-6222. For further information about assistance provided, see http://www.uwc.utexas.edu/about.

III. Campus Safety

From the Dean's office:

Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, http://www.utexas.edu/safety/ :
.. Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
.. Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
.. Students requiring assistance in evacuation should inform their instructor in writing during the first week of class.
.. In the event of an evacuation, follow the instruction of faculty or class instructors.
.. Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
.. Behavior Concerns Advice Line (BCAL): 512-232-5050
.. Further information regarding emergency evacuation routes and emergency procedures can be found at: www.utexas.edu/emergency