



# FIN 377.1 Portfolio Analysis and Management

## Fall 2017 Syllabus

*This Syllabus is your guide to success so please read it carefully and completely.*

Successful completion of the Portfolio Analysis and Management course provides students with comprehensive knowledge of the subject and a set of tools designed to assist them in the investment decision-making process at the portfolio manager level. The prerequisite of FIN 367, Investment Management, is required as the consistent application of knowledge gained in this course will be necessary to complete the assigned case, homework problems, as well as adequately comprehend the assigned readings.

Instructor: Gregory A. Alves | [Greg.Alves@mcombs.utexas.edu](mailto:Greg.Alves@mcombs.utexas.edu)

Required Text: Managing Investment Portfolios, by Maginn, Tuttle, McLeavey, Pinto, John Wiley & Sons, Inc., 2007

Required: BMC <https://about.bloomberginstitute.com/students/bloomberg-market-concepts/>

Required Hardware: Notebook with Excel Installed, HP 10bII+ Calculator for Final

Office: GSB 4.126G

Office Hour: By appointment only: Email me anytime to make an appointment.

Course Room & Time: CBA 5.328 TTH 2:00 p.m. to 3:30 p.m.

Teaching Assistant: Patrick Burns [patrick.k.burns@utexas.edu](mailto:patrick.k.burns@utexas.edu)

### Grading & Reporting

Assignment	Percent
Deliverables (3)	50%
Homework	20%
Class Participation	10%
Team Assessment	5%
Bloomberg Market Concepts (BMC)	-10% if not certified
Final Examination	15%

- +/- Grading: Letter grades A, A-, B+, B, B-, C+, C, C-, D+, D, D- or F
- No credit beyond the above graded assignments is allocated during or after the end of the semester
- Incompletes may be granted at my discretion and in accordance with the *General Information Catalog* found here: <http://registrar.utexas.edu/catalogs>

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### Schedule

Green = Topic | Blue = Assignment | Red = Assignment Due

Week	Tuesday	Thursday
01 Aug 31	Break	Topic: The Portfolio Management Process Read for Week 1, 2: CH 1, 2 Assign: Homework 1: DSB 1 <sup>st</sup> Deliverable
02 Sep 5, 7	Topic: Individual Client Objectives & Descriptions of Security Behavior	Topic: Institutional Client Objectives & Descriptions of Portfolio Behavior Due: Homework 1 Read for Week 3: CH 3 pp. 63-100 Assign: Homework 2: DPB
03 Sep 12, 14	Topic: Institutional Client Objectives	Topic: Institutional Client Objectives Due: Homework 2, D1 Minutes Read for Week 4 & 5: CH 4 Assign: Homework 3: Mixed Estimation
04 Sep 19, 21	Topic: Capital Market-Expectations: Estimation	Topic: Capital Market-Expectations: Estimation Due: Homework 3 Assign: Homework 4: James Stein
05 Sep 26, 28	Topic: Capital Market-Expectations: Estimation	Topic: Capital Market-Expectations: Estimation Due: Homework 4 Assign: Homework 5: SRY Model
06 Oct 3, 5	Topic: Asset Allocation Due: ***1 <sup>st</sup> Deliverable*** Assign: 2 <sup>nd</sup> Deliverable	Topic: Asset Allocation Due: Homework 5 Read for Week 6, 7: CH 5 Assign: Homework 6: AA Basic MVO
07 Oct 10, 12	Topic: Asset Allocation	Topic: Asset Allocation Due: Homework 6 Assign: Homework 7: AA Intermediate MVO

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### Schedule (continued)

Green = Topic | Blue = Assignment | Red = Assignment Due

Week	Tuesday	Thursday
08 Oct 17, 19	Topic: Asset Allocation	Topic: Equity Portfolio Investing Due: Homework 7, D2 Minutes Read for Week 8, 9: CH 7 Assign: Homework 8: Robust MVO
09 Oct 24, 26	Topic: Equity Portfolio Investing	Topic: Equity Portfolio Construction Due: Homework 8 Assign: Homework 9: Index Optimization
10 Oct 31, Nov 2	Topic: Equity Portfolio Construction	Topic: Fixed-Income Management Due: Homework 9 Read for Week 10, 11: CH 6 Assign: Homework 10: Fixed Income
11 Nov 7, 9	Topic: Fixed-Income Management Due: <b>***2<sup>nd</sup> Deliverable***</b> Assign: <b>3<sup>rd</sup> Deliverable</b>	Topic: Fixed-Income Management
12 Nov 14, 16	Topic: Fixed-Income Management	Topic: Alternative Investment Classes Due: Homework 10 Read for Week 12: CH 8 Assign: Homework 11: Modeled VC Returns
13 Nov 21, 23	Topic: Alternative Investment Classes Due: Homework 11, D3 Minutes Read for Week 13: CH 10, 11 Assign: Homework 12: Modeled Trading Cost	Thanksgiving Holiday
14 Nov 28, 30	Topic: Portfolio Management through Time	Topic: Performance Evaluation Due: Homework 12 Read for Week 14, 15: CH 12 Assign: Homework 13: Attribution Analysis
15 Dec 5, 7	Topic: Performance Evaluation	Topic: Final Review Due: Homework 13, BMC, Team Assessment <b>***3<sup>rd</sup> Deliverable Due***</b>
Final Examination Date: Thursday, December 14, 9:00-12:00 noon		

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### Homework

Listed in this syllabus are a number of homework assignments designed to demonstrate your comprehension of the material presented in class and in the assigned readings. The homework will also give you the opportunity to practice your newly acquired knowledge. Completion of these homework assignments will also assist you in the case deliverables discussed in the next section. Instructions for how to successfully complete these assignments will be provided during class prior to the due date. Without these instructions, it will be very difficult if not impossible to complete the problem(s) contained in the spreadsheet. Your name, homework assignment number, and date will already be included in any Excel homework provided to you. **Homework is due at the start of class on the date due. I will not accept late homework** except in those cases described under the “Religious Holy Days” section of this syllabus. **You must complete the homework using the predesigned worksheet or worksheets contained in the Excel file that I will provide to you via e-mail on the assignment date.** Any graphs contained in the file will automatically be populated for your learning convenience. All areas of the worksheet(s) will be protected except those that require your input. On those assignments where Solver is required, I will provide you with a password to unprotect the sheet as Solver will not operate on a protected worksheet. The file will also have a unique name. **DO NOT CHANGE THE FILE NAME**. Please attach your file to an email and send to my address: [Greg.Alves@mcombs.utexas.edu](mailto:Greg.Alves@mcombs.utexas.edu). Again, any homework Excel files sent must reach me at or before the start time of class on the date homework is due. If it becomes obvious to you that your work will not be completed by the due date, please send me your partially completed effort. This will allow you to obtain at least partial credit for those answers you may have answered correctly. Homework received late or not at all will receive a score of zero.

### Case Deliverables

I will supply an instruction packet for an individual investor case. The class will be broken up into small groups of generally between four and five individuals. I will assign individuals randomly to each group. Once groups are established, they will remain in place until the end of the semester.

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Each group will be responsible for three case deliverables outlined in the instructions. Your deliverables must follow each deliverable outline contained in the instructions. Each deliverable requires at least 20 pages in order to provide a detailed response to each of the questions outlined. Use the outline headings and subheadings in your paper so that I may clearly identify your response to a given problem. This is very important and you will receive a lower score if this requirement is not met. **Note: I reserve the right to add, change, or modify the instructions and outline to the case problem.** If I do so, I will give you advanced notice of such changes. You may include charts, tables, and figures within your text or include them in an appendix. All such items must be labeled clearly, i.e., Table 1, Figure 1, etc. and referenced within the text. Deliver all submissions with 1-inch margins all around, 12-point font type, and single-spacing. Please use some form of binding that allows for easy reading and will not result in shuffled or lost pages. A number of the problems require large amounts of data and a series of steps to complete. For such instances, you must provide the summary output in your paper and deliver separately a spreadsheet containing your calculations via email so that I may confirm your work. Label the problems in your spreadsheet to correspond to the output in your paper for proper assessment and grading.

*Again, please note: All summary data in the spreadsheet must be included in your paper as a table, figure or chart for grading purposes. You may place these items in an appendix as long as referenced within your paper. You do not need to include the raw data from which you made your summary calculations in your paper only in your spreadsheet.*

**A late deliverable submission by the group will not be accepted and will receive an F letter grade.**

If an individual within the group qualifies for a "Religious Holy Days" exemption, he or she must follow the notification procedures described herein so that accommodations can be made to assure the group is able to complete the submission on the date due. You will submit a **letter grade** in accordance with the grading system listed in this syllabus for each of your fellow team members. Your submission will remain confidential. In rare cases where a team member is not performing to an acceptable standard, the group must notify the instructor well in advance of the

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due date so that the instructor can address the problem before it negatively impacts the remaining members' final grade. If necessary, the instructor may remove a member and thus require the individual to submit the required deliverables on his or her own.

### Meeting Minutes

For the purposes of organization and accountability, each group will be provided with a meeting minutes template to reflect each member's individual responsibility to the group for the case deliverables described in the section above. Each member in attendance at a group meeting will sign the document, which will then be scanned and emailed to [Greg.Alves@mcombs.utexas.edu](mailto:Greg.Alves@mcombs.utexas.edu) on the dates due (labeled in the schedule above as D for deliverable, a number 1, 2, or 3 for the deliverable number and "Minutes"). The first of each group meeting prior to a deliverable must contain a listing of each group member's responsibility. **The final grade of your deliverable score will be reduced by at least 10% or more if you fail to fulfill the meeting requirements.** Thus, while the completed minutes document is not graded separately, it will negatively impact your final deliverable grade if not completed properly.

Providing these minutes will assist me in the grading process for the deliverable. Generally, the deliverable grade will be applied equally to all members. However, if it becomes evident that a group member has not contributed in a manner consistent with the other members, a reduced or failing deliverable grade, depending on the circumstances, will be assigned to that member. Each member of the group is required to be in attendance for each meeting and a signature page is provided in the template to confirm. Thus, if you are a hardworking and motivated student, it is in your interest to make sure the minutes template identifies your areas of contribution accurately. Do not lose sight of the purpose of the minutes. This is where you document and share what you have learned about the case and solutions to those problems. Groups that have exhibited a true accounting of minutes in the past tend to perform well on the case.

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On occasion, I may randomly inquire on specific points addressed in your meetings in order to inspire discussion of the assigned case deliverable. Thus, it is important that you are well versed in your area of responsibility and well prepared to present your thoughts to the class. I am looking for preparation and a reflection of the degree of effort based on your ability to respond.

### Bloomberg Market Concepts (BMC)

During the semester and at your convenience, you are required to earn a certificate of completion for BMC training by the final class day. BMC is an 8-hour, self-paced e-learning course that provides an interactive introduction to the financial markets. BMC consists of 4 modules - Economics, Currencies, Fixed Income and Equities - woven together from proprietary Bloomberg data, news, analytics and television. BMC covers the essentials of the financial markets through these modules and integrates more than 70 Bloomberg Terminal functions. The course is available through [www.bloomberginstitute.com](http://www.bloomberginstitute.com) or through the Bloomberg Professional Service at BMC<GO>. Thus, you may complete this effort in the Financial Education and Research Center lab or online from your own computer. The links below provide information about the Center as well as additional information about Bloomberg:

- <https://www.mcombs.utexas.edu/Centers/FERC>
- <https://www.mcombs.utexas.edu/Centers/FERC/Resources>
- <https://www.mcombs.utexas.edu/~media/Files/MSB/Centers/EDS/Getting%20Started%20Guide%20for%20Students%202014.pdf>

**Key benefits of the program include the following:**

- Learn the language of finance
  - Supplement your university learnings with practical knowledge of the markets
  - Familiarize yourself with the Bloomberg Professional Service

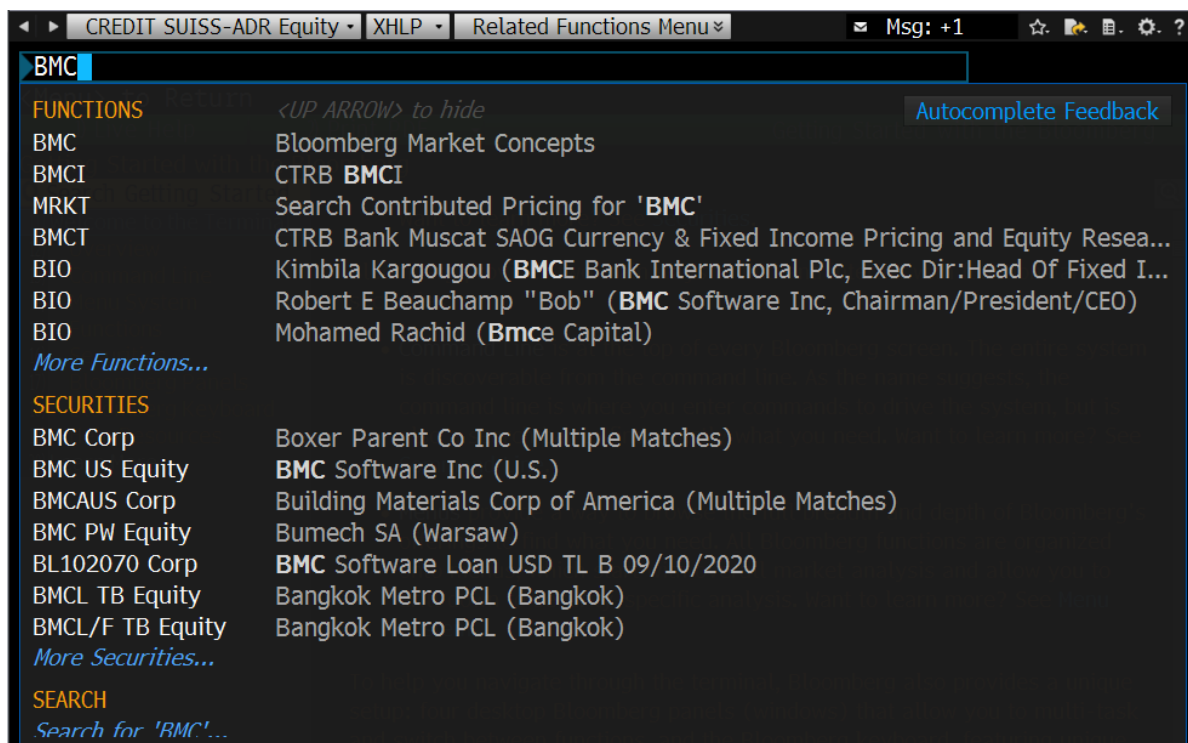
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- Get Bloomberg on your resume
  - Receive a certificate of completion
  - Demonstrate your comfort with the gold standard market data platform
- Discover the inner workings of the markets
  - Learn what moves markets and drives valuations
  - Familiarize yourself with key benchmarks that professionals monitor

The steps below allow access to BMC:

1. Log into Bloomberg terminal.
2. Run the function BMC<GO> by entering BMC into the command line and hitting enter.

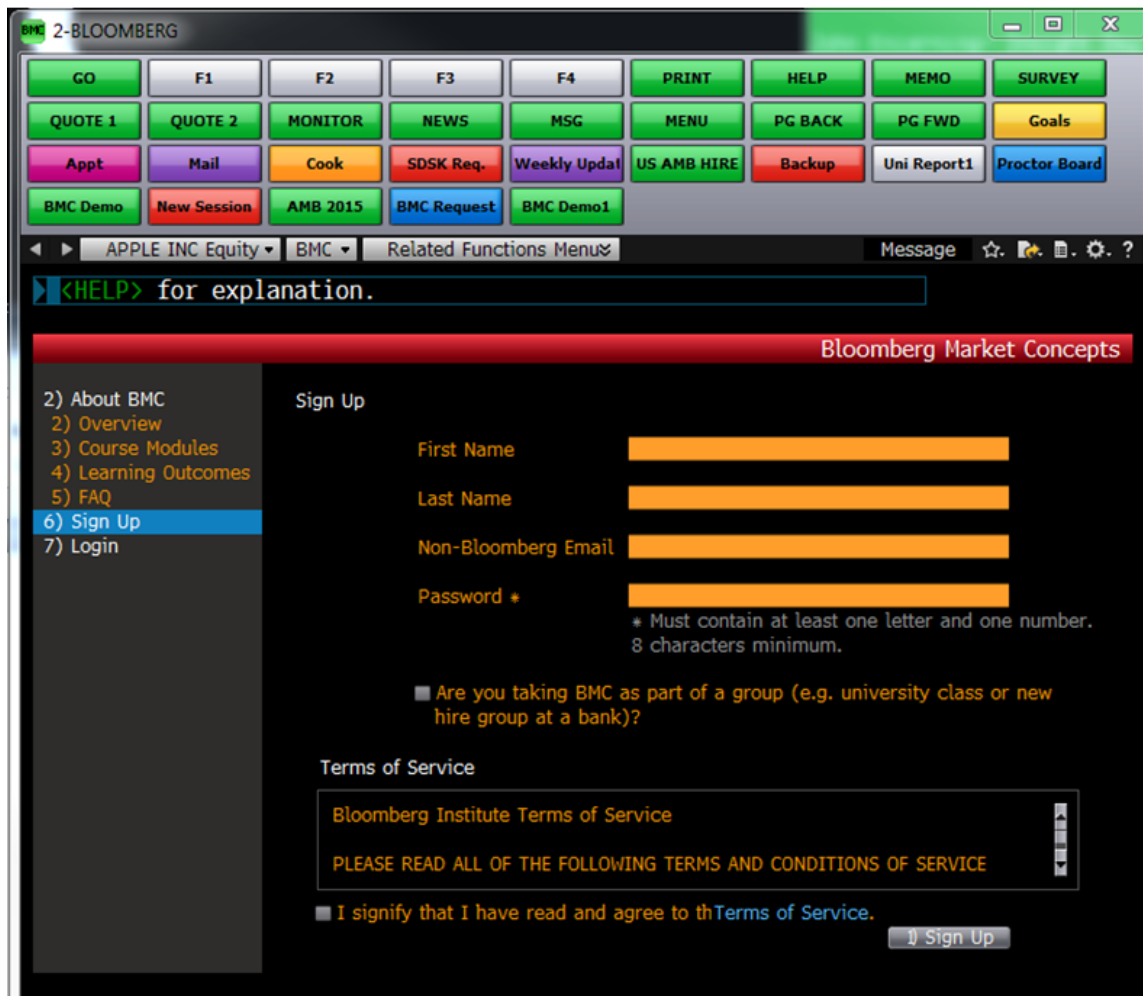


3. Click Sign Up and create a BMC account using a non-Bloomberg email, preferably your university email.



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4. Since you are taking BMC as part of a class or group, please check the box found under the password field.
5. Enter the group code, which I will provide and click OK.
6. Check the box to confirm that you have read and agree to the Terms of Service.
7. Click Sign Up.
8. Check your non-Bloomberg email address, as you will be receiving a confirmation with instructions and a link to activate your account. Click on the Activate my account link.
9. Begin BMC. You are welcome to exit and re-enter the BMC course as necessary since the course is self-paced. Once you finish all 4 modules, you will receive a certificate of completion.

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### CFA Society of Austin

If you will be pursuing a career in the investment management industry, I would ask that you consider the student membership opportunity provided by the CFA Society of Austin. I am a member of the Society myself and have benefited greatly from the experience. Membership also reflects your commitment to the field and an acknowledgement of your pledge to uphold the highest level of ethical standards in the industry. You can review details regarding student membership on their website. A factsheet lists the opportunity in some detail at the following web address <http://www.cfaaustin.org/student-membership-fact-sheet/>. A student application form can be found at the following link:

<http://www.cfaaustin.org/wp-content/uploads/2013/02/CFA-Austin-Student-Membership-Application.docx>

### In Class Policy

Many of the lectures will use Excel spreadsheets to demonstrate a number of the computations and methods used to complete the homework assignments and develop the tools necessary for completing the case deliverables. I will inform you when you may open your notebooks to complete specific problems. Notebook use for any other purpose during the lecture is not allowed. Regular pen and pad notetaking is recommended as I do not provide my presentations to the class. I will, however, provide files containing data, procedures and other material to assist you. I will also do everything I can to provide you with the necessary help outside of class and even outside of my office hour if you are having difficulties, however, in return, I want your very best effort. This is a challenging course that requires a significant amount of skill to complete successfully.

### Attendance

There is a high likelihood of the application of a grading curve on the final. This will be determined at my discretion. A student that misses more than three classes will not be eligible for any applied

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curve. Further, if a student enjoyed application of a curve on an earlier examination, but subsequently fails to show up to class more than three times, they will forfeit any previously assigned curves and their grade will be returned to the original value. A signature page will be issued at the start of each class to confirm attendance. Attendance is required and exceptions are granted only in those cases where the individual follows the guidelines for “Religious Holy Days.” **Please review this schedule carefully as you are committing to these dates and times. It will be your responsibility to accommodate once the semester begins.**

### Religious Holy Days

University of Texas at Austin policy requires that you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, I will give you the opportunity to complete the missed work within a reasonable time after the absence.

### Policy on Scholastic Dishonesty

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 BBA Program’s Statement on Scholastic Dishonesty at <http://my.mcombs.utexas.edu/BBA/Code-of-Ethics>. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. 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, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services

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website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

### Campus Safety

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 (or <https://operations.utexas.edu/units/csas/bcal.php>)
- Further information regarding emergency evacuation routes and emergency procedures can be found at [www.utexas.edu/emergency](http://www.utexas.edu/emergency).

### Students with Disabilities

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://diversity.utexas.edu/disability/>.