

FIN 397.6 Special Topics in Investments

Fall 2018 Syllabus

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

The objective of this course is to continue to enhance your knowledge of security selection and portfolio management. This will be achieved via the continued management of The MBA Investment Fund, L.L.C., group stock pitch presentations to advisors, and a written stock pitch. Your efforts will be complemented by engaging with various industry experts. You must be a current manager of The MBA Investment Fund, L.L.C. to participate in this course.

Instructor: Gregory A. Alves | Greg.Alves@mcombs.utexas.edu

Required Text: Equity Valuation and Portfolio Management, by Frank J. Fabozzi and Harry M. Markowitz, Editors Wiley, 2011

Office: GSB 4.126G

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

Course Room & Time: RRH 5.408 | TTH 5:00 p.m. to 6:30 p.m.

Grading, Reporting & Key Due Dates

Assignment	Due Date	Percent
Written Stock Pitch	10/8/2018	70%
Advisor Meeting	11/9/2018	30%

- +/- Grading: Letter grades A, A-, B+, B, B-, C+, C, C-, D+, D, D- or F
- Your final grade may be adversely effected if you fail to maintain your responsibilities to the Fund.
- You are required to be in attendance during the calendared events listed under the heading “Key Dates” on the next page. Note that, while unlikely, these dates may change and in the event this does occur every effort will be made to ensure your attendance.
- No credit beyond the above graded assignments is allocated during or after the end of the semester

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Key Dates¹

AUGUST				
MON	TUES	WED	THURS	FRI
		29 CLASSES BEGIN	30 FIRST CLASS ORGANIZATIONAL MEETING	

SEPTEMBER				
MON	TUES	WED	THURS	FRI
3 LABOR DAY NO CLASSES	4	5	6 GUEST SPEAKER: STEVE MOORE	
10 FUND INFORMATIONAL SESSION AT 6:00 PM	11		13	14
	18 GUEST SPEAKER: LUCAS TOMICKI	19	20	
	25 GUEST SPEAKER: MARK NIBBELINK		27 GUEST SPEAKER: CAROLYN HANSARD	

OCTOBER				
MON	TUES	WED	THURS	FRI
	2		4 GUEST SPEAKER: BRIAN GOURLEY	
8 INDIVIDUAL STOCK PITCHES DUE	9 GUEST SPEAKER: TUSHAR SHAH		11 ADVISOR PREP	
	16 ADVISOR PREP		18 STOCK PITCH COMPETITION 5:00 P.M. – 9:00 P.M.	
22 FUND INTERVIEWS	23 ADVISOR PREP --- FUND INTERVIEWS	24 FUND INTERVIEWS	25 ADVISOR PREP --- FUND INTERVIEWS	26 FUND INTERVIEWS
29 FUND STUDENT SELECTION MEETING	30 ADVISOR PREP			

Calendar Continued on the next page

¹ Class days listed as null involve the ongoing management of The MBA Investment Fund, L.L.C.

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NOVEMBER				
MON	TUES	WED	THURS	FRI
			1 ADVISOR PREP	
	6 ADVISOR PREP		8 ADVISOR DINNER	9 ADVISOR MEETING
	13 GUEST SPEAKER: TRAVIS WIEDOWER		15	
	20	21 HOLIDAY	22 THANKSGIVING	23 HOLIDAY
	27		29	
DECEMBER				
MON	TUES	WED	THURS	FRI
	4		6	7

Basic Point Guidance

- Written stock pitches are due no later than 4:00PM on October 8th. Please return to my mailbox in the Finance Office, room 6.222.
- Your role in the Fund demands that you make an effort to build your character and express a high degree of professionalism via your conduct both on and off campus. This means volunteering when asked to do so. Each of you will be required to assist the students in the FAP program. Please reach out to Professor Cohn via email at your first opportunity to request the specifics: Jonathan.Cohn@mcombs.utexas.edu. A summary of your responsibilities is to help students prepare a stock pitch and later participate as panelists during their presentation. There are seven groups. Therefore only seven students will be required during any given meeting with six people acting as panelists at the final event. Therefore, I would ask that you coordinate with each other so that everyone participates at some point and you all assist each other to accommodate your unique schedules and circumstances.
- All electronic devices including notebooks are to remain powered off during class time. Please act professionally in this regard. It is a distraction to your colleagues and to me if

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your notebook is open or if you are on your phone during class time. From time to time I may request that you open your notebook computer for specific operations related to class.

Stock Pitch

Your first stock pitch effort used a slide deck to convey your valuation and bulleted points to support your thesis. The stock pitch in this course will convey the information in a written 10 to twenty page essay, which includes all figures, tables, charts, etc. This guideline does not include any supporting data established outside of your written summary, i.e., financial statements, your raw data, any financial models you designed. It is the output and your analysis of it that is counted as written work. All summary tables, charts, figures, etc. should be embedded within your document and must be labeled (ex. Table 1, Figure 1, etc.). Such tables, figures, etc. must be readable and express summary data only. All of the raw data, modeling, etc. may be contained in an appendix and submitted as part of your paper. You may also submit, via email, an Excel file attachment containing such information, but you must make me aware of such instances. All data and analysis referenced in your paper needs to be made available to me in one of these forms so that I may, if necessary, confirm your written statements. Make sure your paper follows a smooth and logical course. Therefore, you must prepare a thesis, supporting evidence for your thesis, and a meaningful and persuasive conclusion. An example of improper flow would be to mention the first supporting item in your thesis only to have it discussed at the end of your paper. Transition from paragraph to paragraph in a manner that the reader can almost anticipate or is at least be satisfied with as the flow of arguments builds a clearer picture, is an objective that will only help to reinforce the reasoning behind your thesis.

By now you should understand that I am most interested in those attributes of a given security that are mispriced by the market place. This is not to suggest that broader risks are not analyzed and accounted for, however, those risks should appear in contribution from the risk

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premium(s) in the discount rate or required rate of return you assign to the security. We are interested in riskless return that will be generated from the stock beyond the risk-free rate, i.e., its alpha. Establishing a basis for such arguments is not easy as we have not nailed down a philosophy about such inefficiencies yet. This is your chance to establish some beliefs. For example, you might have a philosophy that earnings surprise has momentum over the first 90 days after an announcement (this has been demonstrated via research). You could rank securities and separate them into a top decile according to the magnitude of earning surprise and choose securities from that pool that interest you for further fundamental analysis using DCF and or comparables. Such conclusions demand original research and an application of the unique skillset you bestow on the analysis. Stated another way, you should be presenting a stock that you expect to exhibit a return greater than other securities with equal risk and tell the reader why.

Ranking by earnings surprise is just one study, but there are many other published studies and evidence supplied in publications such as “Efficiently Inefficient” by Pedersen that demonstrate areas where alpha may be possible. A solid effort would point to research that demonstrates an inefficiency that you capitalized on by selecting specific securities for your fundamental valuation efforts. Your goal is to increase the probability that, collectively, all of you have assembled a set of stocks that have the best chance of generating abnormal return contributions to the portfolio.

Some other point guidelines to consider:

- Never say, “analysts expect,” as you are the analysts;
- Provide a table of contents to your essay;
- Provide informative headings in your essay that serve to aid the reader – for example, “Profits will Increase by 15% Next Year”;
- Make sure to read your paper at least three times from start to finish to identify any grammatical errors, spelling mistakes, and other errors in the flow of your paper. Do this

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at separate time intervals, that is, set the completed work down for a day or two and then re-read;

- Be a Hemingway and use short, yet meaningful sentences to keep the reader engaged;
- Make sure your valuation is complete and addresses each component of cash flows, growth, required return, and or any multiples;
- Providing me with data and no meaningful conclusions or written path to piece the information together in your paper is simply a data dump and will result in a poor grade. You should analyze the data, draw conclusions, which you then summarize in your paper with reference to your supporting data;
- Make sure your conclusions are unique. Conducting research is fine, but read the tea leaves for yourself and draw your own conclusions; and
- Plagiarism = F on a paper and possible disciplinary action. Please make sure your work is entirely yours.

Advisor Meeting

The success of your group's pitch depends on you and your meaningful and measurable contribution to the group. This contribution is not only measured in terms of pages on a slide deck, but how helpful the information was to the success of the pitch. Further, while the final product is critical to the success of the group, it is also important that this effort is achieved in a smooth and productive manner. That means coming to meetings on time, supporting your members, and helping out anyway you can so that success is enjoyed by the entire class. Therefore, I will be conscious of your contribution during our meetings prior to the Advisor Meeting. You must prepare yourself to be engaged not only for the benefit of your own presentation, but the presentation of the other groups as well. Ask questions, identify any problems, and challenge the other groups' pitch. Everyone should participate and benefit from the interaction so that by the time the pitches are presented, the Advisors will be pleased that you have thought the matter through carefully and completely.

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Religious Holy Days

By UT Austin policy, 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 to observe a religious holy day, you will be given an 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 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](#) 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.

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.

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- 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.

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/>.