



FIN 397.2 Portfolio Management & Security Analysis

Spring 2018 Syllabus

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

This course is designed exclusively for the managers of the MBA Investment Fund, LLC. The managers of the Fund are responsible for the active management of a growth, value and endowment portfolio within the Fund. Therefore, this course will explore the five primary steps, shown in the sidebar, to successfully manage an active portfolio.

[Five Step Investment Process](#)
[Investment Philosophy](#)
[Signal Creation](#)
[Signal Capture](#)
[Implementation](#)
[Feedback](#)

Instructor: Gregory A. Alves | Greg.Alves@mcombs.utexas.edu
Required Texts: Efficiently Inefficient: How Smart Money Invests & Market Prices Are Determined, by Lasse H. Pedersen, Princeton University Press, 2015
Required Hardware: Notebook with Excel Installed
Office: GSB 4.126G
Office Hour: By appointment only: Email me anytime to make an appointment.
Course Room & Time: UTC 1.132 | TTH 11:00 a.m. to 12:30 p.m.

Grading, Reporting & Key Due Dates

Assignment	Due Date	Percent
Individual Stock Pitch	4/24	50%
Performance Measurement Project	5/1	15%
Homework	See course outline	20%
Stock Presentations	See under title below	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 will result in termination from the MBA Investment Fund, but may be granted at my discretion and in accordance with the *General Information Catalog* found here: <http://registrar.utexas.edu/catalogs>

FIN 397.2 Portfolio Management & Security Analysis

Spring 2018 Syllabus

Course Outline

Class	Day	Topic	XLSX	Stock	Project
1	1/16 T	Investment Process			
2	1/18 TH		SRY		
3	1/23 T	Descriptions of Security Behavior			
4	1/25 TH		DSB	*	
5	1/30 T	Descriptions of Portfolio Behavior			
6	2/1 TH		DPB	*	
7	2/6 T	Single-Index Model			
8	2/8 TH		SI	*	
9	2/13 T	Mixed Estimation: Bayesian Betas			
10	2/15 TH		ME	*	
11	2/20 T	James Stein			
12	2/22 TH		JS	*	
13	2/27 T	Fama French Factor Model			
14	3/1 TH		FF	*	
15	3/6 T	Robert Haugen Factor Model			
16	3/8 TH		HF	*	
Spring Break					
17	3/20 T	Basic Mean Variance Optimization			
18	3/22 TH		BMVO	*	
19	3/27 T	Advanced Mean Variance Optimization			
20	3/29 TH		AMVO	*	
21	4/3 T	Resampled Efficient Frontiers			
22	4/5 TH		MCMVO	*	
23	4/10 T	Multi-Factor Optimization			
24	4/12 TH		MFO	*	
25	4/17 T	Robust Mean Variance Optimization			
26	4/19 TH		RMVO	*	
27	4/24 T	Managing Portfolios Through Time			Stock Pitch
28	4/26 TH		TCPM		
29	5/1 T	Attribution Analysis			Perf. Proj.
30	5/3 TH		ATT		

FIN 397.2 Portfolio Management & Security Analysis

Spring 2018 Syllabus

Advisor Preparation and Dinner and Meeting Dates

Day	Topic
3/5 M	Advisor Prep Day 1: Energy & Finance
3/6 T	Advisor Prep Day 2: Consumer & Technology
3/7 W	Advisor Prep Day 3: Energy & Finance
3/8 TH	Advisor Prep Day 4: Consumer & Technology
3/9 F	Advisor Prep Day 5: Extra Prep. Session If Necessary
3/19 M	Advisor Prep Day 6: Rehearsal Session
3/20 T	Advisor Prep Day 7: Rehearsal Session
3/22 TH	Advisor Dinner at Z'Tejas
3/23 F	Advisor Meeting

Helpful Investment Topic Web Links

Helpful Links
The Misuse of Expected Returns
Elements of an Investment Policy Statement for Individual Investors
Elements of an Investment Policy Statement for Institutional Investors
Global Asset Allocation
U.S. Equity Indexes as Benchmarks
Shareowner Rights across the Markets
The Great Confusion: Reflections on Mean-Variance Optimization with Harry Markowitz
Is Beta Useful?
Commonality in the Determinants of Expected Stock Returns
blacklitterman.org
A Step-by-Step Guide to the Black-Litterman Model
The Efficient Market Hypothesis and Its Critics
Valuation Approaches and Metrics
Active vs Passive Investing
Derivatives in Portfolio Management
Manager Selection

FIN 397.2 Portfolio Management & Security Analysis

Spring 2018 Syllabus

Stock Presentations

Operating in your coverage group, you will select an existing security in the portfolio. The security selected will be based on ranked active risk exposure using Bloomberg's PORT tool and the US equity fundamental factor model. Ideally, you may select a security in your coverage area, however, it is more important to deal with those stocks that have significant factor and or non-factor risks above the benchmark. There will be 12 class periods devoted to this effort or 12 stocks presented. Therefore, each coverage group will present three of the 12 class periods. The same stock cannot be analyzed twice. You will select a security a week ahead of time and email the security symbol to the class so that everyone may become familiar with the stock and prepare any questions. You will apply fundamental valuation methods as well as develop your skills in the area of fundamental factor risk analysis. Based on your analysis, you will make a recommendation. A well-designed analysis will break out the required return and any expected alpha over a stated holding period that you believe exists for the security. Based on the benchmark weight (which may be zero), you will recommend maintaining the current weight, reducing or increasing from the current weight. You should identify the effects of the potential tax liability if a capital gain or loss will be incurred based on the holding period, and trading costs in relation to the opportunity cost of not trading.

Individual Stock Pitch Project

The final individual pitch is due the last day of class, you will analyze a stock of your choosing and construct a stock pitch in slide deck format containing between twenty-five and forty slides. You will provide a narrative that corresponds to each slide. Generally, the narrative is between three and five pages of written work (see details below). You will present your findings to your team counselor for final investment consideration for the portfolio. Pitched stocks must be in the portfolio by the last day of class. Below are some point guides to assist you through this effort:

FIN 397.2 Portfolio Management & Security Analysis

Spring 2018 Syllabus

1. Guidelines for the number of written pages referenced above does NOT include any financial statements or an earnings model, etc. Financial statements or earnings model would be in support of your written work as an appendix.
2. Charts and exhibits should be embedded within the document, but again, not a substitute for written work.
3. I will generally look at the appendix when required or is used in support of your conclusion, therefore, you should consider its effectiveness carefully – do not simply stuff information in an appendix for the appearance of volume, which does not necessarily translate into an effective paper.
4. Remember that you are making an argument!
5. Be sure to identify your sources (for outside exhibits and charts that you did not create or for which you did not have the data).
6. Never say “analysts expect” or anything similar. You are the analyst.
7. The best reports have a great table of contents and aggressively use headings, bolding, underlining and italics to help the reader identify what is important.
8. Headings should make an assertion. Do not say things like “Background” or “Profits”. A heading should say something like “Profits Will Increase 15% Next Year.”
9. Your word processor comes with spellcheck and a grammar tool – use them both.
10. Make sure to address items that need explaining. Assume that you are writing for an Investment Committee and there will be members who lack expertise in your coverage sector.
11. Your paper should read fast and make an immediate impact on the reader. This is achieved with short sentences and brief but relevant paragraphs.
12. Always prepare a thesis and remind the reader with your conclusion. All content in between should be in support of your thesis. It is particularly compelling when you prove something with data.
13. Provide relevant detail. I want to be convinced that you know the stock and have done all the work. That is what convinces me to buy the stock.

FIN 397.2 Portfolio Management & Security Analysis

Spring 2018 Syllabus

14. Your work must contain your own unique interpretation of the facts and the conclusion.
Convince me the stock is a “buy.”
15. Your valuation must be complete.
16. Do not do a data dump. Tables should exhibit information that is relevant and concise with multiples tied to underlying, rather than a broad set of metrics, for example.
17. Make sure your work uses 12-point font.
18. Please see me for thoughts if you run into difficulties.

Performance Measurement Project

Due on May 1st, you will be responsible for constructing and discussing the performance of the Growth and Value portfolios in the MBA Investment Fund. You will be supplied with a handout detailing the requirements.

Basic Point Guidance

- My objective is that you learn and understand the material. I want you to succeed in this class and reach a point that exceeds your expectations! If you ever find yourself struggling with a concept, problem, or want to simply push the limits beyond what is required, make sure to write me an email with your question or make an appointment to see me. I will make special time to help you when required.
- All electronic devices including notebooks are to remain powered off during class time. From time to time, I may request that you open your notebook computer for specific operations related to class.
- As a student manager of the MBA Investment Fund, you must attend every class and be on time.

FIN 397.2 Portfolio Management & Security Analysis

Spring 2018 Syllabus

- Examine the schedule – once the session begins, you are committed to the schedule except for those items noted specifically in this syllabus and consistent with UT policy.
- It should be obvious, but do not cheat or plagiarize in this course. An effort is made to confirm this point is followed and I have identified cases in the past to the peril of those that violated this rule. Get to me for help before you even consider such conduct.
- Application of a grading curve to your final grade may be necessary. This will be consistent with grading policy as established by the MBA Program Office. The objective grade distribution is expressed below:
A (4.00): 25% | A- (3.67): 20% | B+ (3.33): 15% | B (3.00): 35% | B- or below (2.67): 5%

Attendance

Attendance is mandatory for the MBA Investment Fund managers. 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 session 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

This will result in immediate termination from the MBA Investment Fund. The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both

FIN 397.2 Portfolio Management & Security Analysis

Spring 2018 Syllabus

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.
- 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.

FIN 397.2 Portfolio Management & Security Analysis

Spring 2018 Syllabus

- 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/>.