

FIN 440 – Investment Management Spring 2012

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Office Hours: MW: 2:00 – 3:30 p.m.
T: 8:00 – 9:00 a.m.
Also available by appointment.

Text: No specific text is assigned for the course. If students feel the need to refer to a text to refresh background material, most general investments texts will suffice. If you require a more specific reference, *Investments* (sixth, seventh, or eighth editions would be fully adequate) by Zvi Bodie, Alex Kane, and Allen J. Marcus is an excellent selection. Readings (typically web-based) may be assigned at various points during the semester.

Course Description: The course revolves around the management of Cameron's real-dollar investment portfolio. The course will initially develop the skills necessary for the analysis of individual securities. Although the case can be made that a diversified portfolio should include multiple asset classes, equity will be the primary asset class for our analysis. Fundamental analysis will be emphasized, but technical analysis as well as the psychology of investing are considered important and will be discussed. After developing security valuation skills, efforts will then shift to sector analysis and portfolio construction. Our goal will be to create an investing framework which can be inherited and improved upon by students in future semesters.

Course Objectives: Upon completion of the course, students should be familiar with:

- Modern Portfolio Theory (MPT) and the basic arguments underlying index investing.
- Efficient Market Hypothesis (EMH) and criticisms.
- Fundamental analysis, technical analysis, and investor psychology.
- Sector analysis.
- Portfolio construction and rebalancing.
- Portfolio evaluation and attribution analysis.

Format: This class will be somewhat traditional in that our sessions will consist of both lectures and discussion. *However, students are expected to play a more active role in the development of the class, as compared with some other courses.* The class size is relatively small, so each student will be expected to contribute in various ways. You will be expected to keep up-to-date with readings as they are assigned. You may be expected to locate readings to share with classmates. We will need volunteers to accomplish several of the tasks near the end of the course, and in preparation for our presentation to the Advisory Board during final exams. By the end of the semester, it should be easy to answer the question as to "how involved you were in the course" if you intend to receive an attractive grade. A portion of your evaluation comes from how "well off" you leave classes who will follow in your footsteps.

Grading:

Valuation Exercise	22%
Individual Presentation (Present topic to class; develop PowerPoint)	8%
Mid-term exam (take-home assignment)	30%
Portfolio Construction Efforts (possibly group, includes oral practice presentations, written report, and revisions)	30%
Final exam: Portfolio presentation efforts (group and individual efforts, includes oral presentation to Advisory Board, and possibly web-site updates.)	<u>10%</u>
Total:	100%

Grading scale:

93.00 – above:	A
90.00 – 92.99:	A-
87.00 – 89.99:	B+
83.00 – 86.99:	B
80.00 – 82.99:	B-
77.00 – 79.99:	C+
73.00 – 76.99:	C
70.00 – 72.99:	C-
67.00 – 69.99:	D+
63.00 – 66.99:	D
60.00 – 62.99:	D-
Below 60.00:	F

Note regarding borderline grades: Expect no “grading curves.” Class participation is expected, so its presence cannot help you but its absence can hurt you. There are no opportunities for extra-credit work, and work which is submitted late will incur significant penalties.

A brief description follows for each aspect of the evaluated work for the course.

The valuation exercise will prepare you for the equity analysis and portfolio construction project. We must create a diversified investment portfolio which meets the constraints of the investment policy statement.

The individual presentation requires each student to select, research, and present to the class one topic that would be considered interesting to the class, related to investment style or investment technique and/or portfolio construction. Target your presentation for 15 – 20 minutes maximum, and be prepared to answer questions from the class. Topics and dates may be reserved at any time, on a first come, first served basis. **Presentations should start by Monday, February 6 and must be completed by Wednesday, March 7.** The preference is to have no more than one presentation per class day during this period. You should develop your presentation in PowerPoint, including annotations in the slide comment area. These presentations may be placed on-line at a course website, for viewing by interested parties.

The mid-term exam will be a fusion of theory and investment practice. The mid-term will be a take-home activity with an approximate one-week time allotment. It will not be acceptable to consult others in completing the exam. These exams are typically much more time consuming and potentially frustrating than in-class exams, but offer the opportunity for significant learning.

The portfolio-construction project may be an individual effort and may be a small-group effort, depending on the final number of students registered for the course. Each student or group will be assigned a sector of the economy and will be expected to become the experts on that sector. Following our Investment Policy Statement (which will be “inherited” from previous students, although alterations are possible), the student/group will conduct an industry analysis, offer suggestions on active weights to be assigned to the sector, will screen the sector for attractive security options, and ultimately recommend what to include in the portfolio. Each student/group will present their analysis to the class orally and in writing. Other students and the instructor may offer suggestions, but this report will ultimately be included in the final report. Two comments are relevant here:

- Students typically present their analysis orally upon three occasions – the first occasion is in class, one sector at a time. The second occasion might be considered a “dress rehearsal” for the final exam. The third occasion is during our regularly scheduled final-exam period, as we present the portfolio considerations to our Advisory Board.
- In order to be considered for full credit in this project, each student must become Bloomberg certified in equities. This achievement takes approximately 8 hours and is conducted outside of class times. To clarify, without the student providing evidence to the instructor of attaining Bloomberg certification, this project is valued at 20% of the grade, with no opportunity to make up the remaining 10%. With evidence of attaining Bloomberg certification, this project is valued at 30% of the grade. However, the instructor must receive an electronic copy of the certification no later than the student’s first oral presentation of sector results in order to qualify for the “bonus.”

The portfolio presentation efforts reinforce the fact that, in professional endeavors, not only is *what you say* important, but also *how you say it*. Therefore, much of your *analysis* will be evaluated in the written report, while your “professionalism” will be evaluated in the oral presentation to our Advisory Board, the written report which should be issued to the Board a few days in advance of the presentation. If our class website is completed in time, it is expected students will develop material to update the site in time for the presentation to the Advisory Board.

The instructor will act as advisor in your presentation efforts, but not the “gopher.” This project will take a considerable amount of coordination effort, and the project is student-driven. Also, the bulk of the effort will occur near the end of the semester – which is already a stressful time. Notice that the oral presentation portion of this project is also considered to be the final exam. Attendance will be mandatory (3 – 3.5 hours) and preferred dress is business professional. Note above that a “dress rehearsal” of the presentation will be conducted late in the semester, which will last three hours and may take place on Reading Day if we cannot complete our work on schedule.

UNCW Honor Code:

The University of North Carolina Wilmington is a community of high academic standards where academic integrity is valued. UNCW students are committed to honesty and truthfulness in academic inquiry and in the pursuit of knowledge. This commitment begins when new students matriculate at UNCW, continues as they create work of the highest quality while part of the university community, and endures as a core value throughout their lives. The full code may be located at:

http://www.uncw.edu/policies/documents/03_100FINALHONORCODE_Aug2009.pdf

University-Excused Absences

Students have a responsibility to report all planned, university excused absences by Monday, January 23 so that arrangements can be made to schedule dates for missed assignments and tests. Circumstances warranting a planned, excused absence include athletic department approved absences, university related trips, religious observations, and other excused absences that are reasonably known in advance of the semester. The instructor reserves the right to give a grade of zero when students do not exercise this responsibility.

Tentative Class Outline

	Wednesday, January 11: Course Introduction. Discussion: <i>Why Not (Just) Index?</i> Our Investment Policy Statement. Bloomberg Assessment Test and Bloomberg Certification.
Monday, January 16: <i>Martin Luther King, Jr. Holiday</i>	Wednesday, January 18: This is the last day to Add/Drop without a grade. Brief Review of Modern Portfolio Theory. Brief Review of the Efficient Market Hypothesis.
Monday, January 23: Begin Discussion of Top Down Valuation Approach: Macroeconomic and Industry Forecasts.	Wednesday, January 25: Continue top-down Valuation Approach: Fundamental Analysis
Monday, January 30: Continue Top-Down Valuation Approach: Fundamental Analysis.	Wednesday, February 1: Quality of Earnings discussion.
Monday, February 6: Discussion of Technical Analysis.	Wednesday, February 8: Discussion of Investor Psychology.

Tentative Class Outline

	Guest speaker likely.
Monday, February 13: Complete the Discussion of Technical Analysis, if necessary.	Wednesday, February 15: Sector Rotation Theory.
Monday, February 20: Discussion of Active Weights.	Wednesday, February 22: Portfolio Evaluation, Risk Adjustment, and Performance Attribution Analysis.
Monday, February 27: Tuesday, February 28 is the last day to drop with a W. Complete Performance Attribution Analysis.	Wednesday, February 29: Mid-term Exam Distributed. Due by Friday, March 9 at 4:30 p.m.
Monday, March 5: Discussion Organization of Sector/Stock Reports. Discuss the Philosophy of a 'Sell Discipline.'	Wednesday, March 7: Complete the Discussion of Sector/Stock Reports. Last Day for Individual Presentations. Mid-term Exam due Friday.
Monday, March 12: <i>Spring Break</i>	Wednesday, March 14: <i>Spring Break</i>
Monday, March 19: Discuss Mid-term Examination.	Wednesday, March 21: Presentation to Class of Sector 1.
Monday, March 26: Presentation to Class of Sectors 2 & 3.	Wednesday, March 28: Business Week – No regular class but students are expected to attend Business Week events.
Monday, April 2: Tuesday, November 15 Graduation Applications due for Spring 2012 Presentation to Class of Sectors 4 & 5.	Wednesday, April 4: Presentation to Class of Sector 6 & 7.
Monday, April 9: Presentation to Class of Sectors 8 & 9.	Wednesday, April 11: Presentation to Class of Sector 10. Confirm Active Weights.
Monday, April 16: Senior Analyst(s) present recommendations to class. Class votes on portfolio composition. Planning the Final Report and Presentation. Last day to apply for Graduation for Summer	Wednesday, April 18: Senior Analyst(s) present recommendations to class. Class votes on portfolio composition. Plan Final Report and Presentation.

Tentative Class Outline

or Fall semesters 2012	
Monday, April 23: Continue to Plan the Final Report and Presentation. Submit Written Report to Advisory Board by Friday.	Wednesday, April 25: First Half of “Dress Rehearsal.”
Monday, April 30: Last day of classes Second Half of “Dress Rehearsal”	Friday, May 4: Final Exam 3:00 – 6:00 p.m.