

FIN 440: Portfolio Design and Management

Experiential Learning
Combined with Fiduciary
Responsibility

But first, are you experienced?

Lyrics by Jimi Hendrix, performed by Jimi Hendrix, Track Records, 1967.

- FIN 440 is the course which puts a framework around the management concerns of Seahawk Investment Management, LLC.
- Seahawk Investment Management, LLC is the legal entity and agreement for managing a \$1 million gift to the UNCW Foundation donated from the BB&T Foundation.

BB&T Center for Moral Capitalism and Ethics

- Specifically, the donation from BB&T was to fund the activities of a Center which developed programs related to the moral foundations of capitalism and ethics.
- The BB&T Foundation has made donations to fund similar centers at other universities.
- The gift to UNCW was the first in which the opportunity to manage the funds was designated to the students.

The idea was “a twofer.”

- One result of the gift would be the proliferation of programs related to capitalism and ethics.
- The second result of the gift would be to give students a serious, possibly once-in-a-lifetime, management opportunity.

“Ain’t Nothing Like the Real Thing”

Lyrics by Marvin Gaye, performed by Marvin Gaye & Tammi Terrell, Tamla Records, 1968 .

- Contrast the learning objectives of a traditional university portfolio management course with those of FIN 440 at UNCW.
- Traditional – The more risk taken, the better. The bigger the bets, the higher the grade.
- FIN 440 – A conservative Investment Policy Statement; Restrictive, but realistic.

Investment History and Performance

- Installments of funds have been invested in February 2011, May 2011, and January 2012.
- Performance varies, but at this point is approximately 250 basis points (i.e., 2½%) better than the S&P 500, which serves as our benchmark.

The Less Visible “Payoff”

- Student confidence, that they can manage a project from start to end.
- True understanding of a top-down investment strategy, from a conservative yet realistic perspective.
- Résumé enhancer – more students receiving interviews , internships, and permanent positions.

Guidance, but not “Coercion”

- The course is also an excellent example of project management, which is one of the most popular and valuable training tools available.
- Students set deadlines for each aspect of the project.
- Students determine the macroeconomic forecast for the economy.

Portfolio Management

- Students determine the active weights for each portfolio sector. This can be difficult!
- Students select which securities remain in the portfolio and which securities are harvested.
- Students determine the amount of overall diversification in the portfolio.

Portfolio Management

- Students determine a “sell discipline” for each holding in the portfolio.
- Students create a written narrative of their portfolio management process – typically close to 100 pages in length.
- Students “pitch” their selections to an Advisory Board, and field their questions.

A form of “Shared Governance”

- As instructor, I cannot abdicate my responsibility for guidance, overall responsibility, and assessment of performance.
- But notwithstanding those responsibilities, the students rapidly come to realize that if they don't perform – appropriately and timely – they will be embarrassed, as well as the Cameron School of Business.

Students Accept More Responsibility

- In the middle of the semester, immediately after completing a one-week take-home exam that probably extracted 30 hours of their life, the students in FIN 440 typically “hate” me and wonder why they enrolled in the course.
- By the end of the semester, many consider it to be one of the most rewarding academic challenges that they have experienced.

Youtube “Testimonials”

A Practical Learning Environment

- FIN 440 Presentation

- Or:

<http://www.youtube.com/watch?v=KlKTTEZqR9E&feature=youtu.be>