2013

490-01 Portfolio Management I

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FINC 490-01: Portfolio Management I  
Spring Semester 2013

Professor: Dr. David C. Hyland  
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Phone Number: 745-3017  
E-mail: hylandd@xavier.edu
Mailbox Location: Faculty Suite 223

Office hours:  
Class Meets: TR 8:30-9:45am
Tues 7:30 – 8:30
Thurs 7:30 – 8:30
Wed 1:30 – 3:30

Additional Hours by appointment or just stop by, e-mail or call.

College Mission  
We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition.

Course Description  
This course is the first part of the portfolio management experience for the student members of the Xavier Student Investment Fund (XSIF). Members of the XSIF student management team are selected each semester by faculty in the Department of Finance.

For the Spring of 2013, the selection process includes successful completion of FINC 340 with a grade of B- or better, FINC 460 or special permission of the instructor. Note that students are not required to take FINC 492 (which can replace cases FINC 495) but successful completion of FINC 490 (B or better) is a requirement.

Students will manage approximately $1,500,000 of the University Endowment in a Large Cap Equity Portfolio.

Learning Objectives  
Upon successful completion of this course, students will have:
- A stronger understanding of valuation
- A stronger understanding of how to evaluate portfolio performance
- Stronger communication skills (verbal and written)
- A stronger understanding of how economic events impact stock prices
- Stronger group and meeting skills

Equity analysis is not an easy undertaking. Realize that in this real-world market environment you are competing with highly-compensated individuals that dedicate more than 40 hours per week to this endeavor. The process involves scientific techniques and modeling but what to use as inputs is definitely an art. The more you put into the class the more you will get out of it.

Student Run Aspect
FINC 492 students are the Fund managers and have responsibility for scheduling the activities of the Fund within the framework of presentations and coursework scheduled by the Professor. FINC 490 students are expected to participate and assist the 492 students in the coordination and scheduling. Both FINC 490 and FINC 492 will vote on what changes will be made to the portfolio. **The Professor will lay out expectations for minimum requirements for both stock presentations and formal presentations.**

**Course Prerequisites**
Prerequisite: FINC 340 or FINC 460.

I assume you can analyze and create a Discounted Cash Flow Model including cost of capital calculations to estimate the stock price of a publicly traded company. I also assume you can use relative valuation techniques (PE multiples, EV/EBITDA multiples, etc.) to estimate the stock price of a company.

**Academic Misconduct**
Xavier’s policy is detailed at:

[http://www.xu.edu/registrar/ugrd_policies.html#Academic honesty](http://www.xu.edu/registrar/ugrd_policies.html#Academic honesty)

A **first offense** in this class is likely to result in an F for the course.

**Attendance:**
Attendance is required at **every class session**. Every unexcused absence will cost 5% of your final grade and your participation grade will also suffer. On your fourth unexcused absence you will receive an F for the course. Additionally do not use this class as an excuse to miss other classes. It is not acceptable to skip another class because you are “working on the Fund”.

**Tardys:**
Each unexcused tardy will cost 3% of your final grade. On your fifth tardy you will receive an F for the course.

**In Class Presentations:**
You must provide a printed, *stapled* copy of all in class presentations to the instructor **before** class. NOTE: There is a stapler in the trading room. If you are presenting on a given day arrive early and load your presentation onto the podium computer and provide white board directions on the board for your classmates.

**In Class Etiquette:**
If you are not working on DCF material during class (e.g. surfing the web, texting, face booking, working on other classes, etc.) you will receive 1 warning. Additional offenses will result in penalties that may include a lower final grade or F in the class.
<table>
<thead>
<tr>
<th>Activity</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation</td>
<td>35</td>
</tr>
<tr>
<td>Bloomberg Certification: Basics, Equity, Fixed Income</td>
<td>5</td>
</tr>
<tr>
<td>Stock Valuation Reports (5 or more)</td>
<td>30</td>
</tr>
<tr>
<td>Misc Activities (Performance reports, sector reports, econ, assistant officer duties, etc.)</td>
<td>10</td>
</tr>
<tr>
<td>Final Exam</td>
<td>20</td>
</tr>
</tbody>
</table>

**Extra Credit: Certifications in: Commodities, Foreign Currency**

**Portfolio:**
During the last week of class you will submit a portfolio which will contain all of your work during the semester. (5+ stock valuations, performance reports, presentations, etc.) More details on the proper format to follow but I would suggest compiling the things you do throughout the semester so that it is easier to complete during a busy time of the semester. Your portfolio will be evaluated to determine your grades in the Stock Valuation and Misc. Activities categories.

**Verbal Feedback**

Note that much of this course centers around student run presentations and activities. Much of your feedback will be verbal. Please pay attention in class so that you do not continue to make the same mistakes that have already been discussed in class. Much of the feedback you receive in this class will be verbal from the instructor. If you are not participating you won’t get much feedback and your grade will reflect this.

**Participation Review:**

At the end of the semester every student will complete an evaluation of every other student in the Fund. These evaluations will be used along with the Professor’s observations throughout the semester to determine a participation grade for the semester.

**Sector Meetings:**
Each sector will meet every week until presentations start. Minutes and attendance should be kept. 492 mgs will report on the status of the meeting on Tuesdays. Attendance is expected and will count towards your participation grade. If you cannot meet during your groups weekly scheduled time, it is your responsibility to work with the CEO and CFO to arrange a trade to another team.

**Mid Semester Review:**
Students that plan on participating in FINC 492 as Fund managers need to earn a grade of B or better in FINC 490. Approximately midway through the semester you will be given one of three grades to indicate whether you should plan on participating:

1. Adequate Progress and Participation
2. Borderline – You need to improve in order to make the B.
3. Doubtful – The value you are currently adding will not be adequate to earn a grade to participate in FINC 492.

**Assignments:**
You will be assigned management roles throughout the semester that will be included in your participation grade. Examples of these roles include:

- **Weekly Economist:** Describe what is going on with the Economy at the start of every meeting as it relates to the Fund. Works with the Chief Economic Strategists to present interesting events and data to the class. All presentations should include some form of graphical illustration.
- **Assistant Chief Investment Officer:** Runs every meeting that is not a lecture. Assists CIO on class buy/sell decisions for the portfolio.
- **Assistant Compliance Officer:** Checks and reports on whether the Fund is in compliance with the Prospectus. Takes attendance.
- **Assistant Controller:** Your will be assigned a performance report to complete which will be sent to the CFO of Xavier and Board of Executive Advisors.
DCF TENTATIVE CLASS SCHEDULE
This is likely to be modified several times. The CEO will send out any updates.

<table>
<thead>
<tr>
<th>Week</th>
<th>Date – Week Beginning</th>
<th>Assignment Due</th>
<th>Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/7</td>
<td>Discuss syllabus, Style of the Fund, Review Prospectus, Operations manual, Dropbox</td>
<td>T: XSIF Prospectus Bodie, Kane, Marcus Ch 24 R: Xavier University Investment Policy Statement</td>
</tr>
<tr>
<td>2</td>
<td>1/14</td>
<td>Quiz on the Prospectus on Tuesday</td>
<td>Chincarini &amp; Kim pp. 166-178 Stowe Chs 1-3 English Ch 14</td>
</tr>
<tr>
<td>3</td>
<td>1/21</td>
<td>Stock #1 Due on Monday with help from 492 students</td>
<td>Stowe Ch 4 English Ch 15</td>
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<td></td>
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<td><strong>Bloomberg Certifications due by Friday</strong></td>
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<td>4</td>
<td>1/28</td>
<td>Lecture on Portfolio Performance</td>
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<tr>
<td>5</td>
<td>2/4</td>
<td>Stock #2 Due</td>
<td>More Portfolio Performance</td>
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<tr>
<td>6</td>
<td>2/11</td>
<td>Portfolio Performance test on Tuesday</td>
<td></td>
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<tr>
<td>7</td>
<td>2/18</td>
<td>Stock #3 Due</td>
<td><strong>Mid Semester Evaluations are due</strong></td>
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<td></td>
<td>2/25</td>
<td><strong>Spring Break</strong></td>
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<tr>
<td>8</td>
<td>3/4</td>
<td>Stock #4 Due</td>
<td></td>
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<tr>
<td>9</td>
<td>3/11</td>
<td>Stock #5 Due</td>
<td>Thurs: Easter break</td>
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<tr>
<td>10</td>
<td>3/18</td>
<td>Stock #5 Due</td>
<td></td>
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<tr>
<td>11</td>
<td>3/25</td>
<td>Stock #5 Due</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>4/1</td>
<td>Stock #5 Due</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
<td></td>
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<td>13 4/8</td>
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<tr>
<td>14 4/15</td>
<td>BEA, Board of Trustee, FINC 300, and FMA presentations To be announced.</td>
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<td>15 4/22</td>
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<tr>
<td>4/29</td>
<td>Final EXAM WEEK Final Exam during University assigned 490 time period. 492 assigned time period: All 490 students planning to be in 492 should try to attend. Sector Report with summary of all positions in your sector and watch list. 492 projects will also be presented.</td>
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**Fund Performance Reports**

- 12 months ending 12/31 – due by 15th of January
- 1 month ending 12/31 – due by 15th of January
- 1 month ending 1/31 – due by 10th of February
- 1 month ending 2/29 – due by 10th of March
- 1 month ending 3/31 – due by 10th of April
- Year End Report 12 months ending 3/31 – due by 10th of April
- 1 month ending 4/30 – due on final exam day
- Summer report covering May – August – due by 15th of September
- 1 month ending 8/31 – due by 15th of September
- 1 month ending 9/30 – due by 10th of October
- 6 months ending 9/30 – due by 10th of October
- Year to date ending 9/30 – due by 10th of October
- 1 month ending 10/31 – due by 10th of November
- 1 month ending 11/30 – due on final exam day
Name_____________________________________________

Top 3 Sector Choices:
1.
2.
3.

FINC Classes:

Reasons to Pick me for a sector (Attach a resume if you would like):

Times you are not available to meet for your weekly Sector meeting.