2017

BUAD 694-01 Bond Portfolio Management

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Office hours: MF 12:00 p.m. – 2:00 p.m.
W 1:00 p.m. – 4:00 p.m.
By Appointment

COURSE DESCRIPTION
Bond Portfolio Management is a three-hour credit course for MBA students. The students are responsible for the overall management of an approximate $1.4 million fixed-income fund.

SUPPLEMENTAL TEXT:
You can purchase the text by going to the Wiley website or you can also buy it on Amazon.

http://www.wiley.com/WileyCDA/Section/id-WILEY2_SEARCH_RESULT.html?query=stafford%20johnson (Links to an external site.)

STUDENT EVALUATION AND GRADING
Final grades for BUAD 694 are based on:

- (40%) Active participation and management of the fund, Class attendance, Quality of reports submitted, Communication with board and outside advisors, Final presentation to the various committees – Forty percent of the final grade for the class is based on the quality of the student’s reports and their work contributions to the fund. Students are expected to attend all meetings, to submit reports prior to each meeting, to act in a professional manner, and to always treat Xavier as their investment client.
- (10%) Discussion Board Activity – In between our class meetings, each student is required to post one thoughtful article, research, or discussion item to Canvas on a weekly basis. Each student is also required to reply to at least one discussion post on a weekly basis.
- (10%) Peer Review - No one will receive less than an 8 out of 10 in this section of your final grade. Scores will be relative based on the scores of your peer group.
- (10%) Credit Analysis and Presentation – Each Fund Member is expected to complete at least two credit analysis reports and must present at least one report to the team.
- (10%) ETS Exam – This is a university exam given to all graduating MBA students. Your score on the exam will determine your credit for this section of the class. No one will receive less than an 8 out of 10 in this section of your final grade. Scores will be relative based on the scores of your peer group.
- (10%) Prospectus Exam
- (10%) Bloomberg Certification – economic and fixed income modules DUE by FEBRUARY 8, 2017

Grades are assigned using the following plus/minus scale:

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<th>Range</th>
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<tr>
<td>94 – 100%</td>
<td>A</td>
<td>77 – 79%</td>
<td>C+</td>
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<tr>
<td>90 – 93%</td>
<td>A-</td>
<td>74 – 76%</td>
<td>C</td>
</tr>
<tr>
<td>87 – 89%</td>
<td>B+</td>
<td>70 – 73%</td>
<td>C-</td>
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<tr>
<td>84 – 86%</td>
<td>B</td>
<td>69% and below</td>
<td>F</td>
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<tr>
<td>80 – 83%</td>
<td>B-</td>
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Using any work that is not your own, giving permission to use your work, or using any unauthorized information throughout the semester will result in a failing grade in the course and possible expulsion from Xavier University.

STUDENTS WITH DISABILITIES:

Anyone who feels he/she may need an academic accommodation based on the impact of a disability (e.g.: sensory, learning, psychological, medical, mobility) should contact me to arrange an appointment to discuss your needs as soon as possible. I rely on the Disability Services Office for assistance in verifying your eligibility for academic accommodations related to your disability. If you have not previously contacted Disability Services, I encourage you to do so at 513-745-3280 on the Fifth Floor of the Conaton Learning Commons, Room 514 or e-mail Cassandra Jones at jonesc20@xavier.edu, to coordinate reasonable accommodations.

INVESTMENT MANAGEMENT APPROACH

Investment Objective: The primary investment objective of the fund is to provide for preservation of capital with an emphasis on consistent long-term growth of capital and total return without undue risk. The Fund seeks total return benchmarked against the Bloomberg Barclays U.S. Government/Credit Index.

In managing the fund, the Student Fund Managers will monitor, analyze, and when necessary, buy and sell bonds within the approved constraints. The Managers will apply fundamental economic and credit analysis.

Economic Analysis: To tactically manage the fund, the Student Fund Managers will monitor and analyze macroeconomic and financial market conditions: leading, coincident, and lagging economic indicators, U.S. and international events (e.g., federal budget, energy prices, and exchange rate), Federal Reserve actions, Treasury activities, quality spreads, and yield curve changes.

Tactical decisions to change the allocations within the portfolio in order to enhance performance will be based on economic and financial market analysis.

Such an analysis will include total return analysis in which possible future values and returns of the fund are projected based on different economic scenarios, with the returns measured relative to the possible returns of the Bloomberg Barclays U.S. Government/Credit Index.

Credit Analysis: The Student Fund Managers will apply credit analysis to the corporate bonds in which the fund is invested, as well as bonds similar to those that comprise the Barclays U.S. Government/Credit Index that may be considered as a possible substitute.

The credit analysis for corporate bonds will include the following types of examination:

1. Industrial Analysis: Assessment of the growth rate of the industry, stage of industrial development, cyclically of the industry, degree of competition, industry and company trends, government regulations and labor costs and issues.

2. Fundamental Analysis: Comparison of the company’s financial ratios with other firms in the industry and with the averages for bonds based on their quality ratings. Ratios often used for analysis include: (1) interest coverage (EBIT/Interest), (2) leverage (long-term debt/total assets), (3) cash flow (net income + depreciation + amortization + depletion + deferred taxes) as a proportion of total debt (cash flow/debt), and (4) return on equity.

3. Asset and Liability Analysis: Determination of the market values of assets and liabilities, age and condition of plants, working capital, intangible assets and liabilities, and foreign currency exposure.

4. Indenture Analysis: Analysis of protective covenants, including a comparison of covenants with the industry norms.

5. Red Flags: Identification and monitoring those negative indicators suggesting greater credit risk.
Integrating Information and Analytical Systems

Student Fund Managers will need to make use of current information technologies, such as the use of the Bloomberg system, S&P Capital IQ, trading platforms, and other data retrieval and analytical systems. The Bloomberg system will be used along with other programs to:

- Conduct financial analysis of all credits
- Search for comparable securities
- Monitor economic events and indicators
- Manage the portfolio against the index
- Simulate future returns
- Monitor the financial actions, policies, and trades of the Treasury, Federal Reserve, and global financial institution

Integrating Organization and Management Skills

In managing the fund, students will operate as a business organization responsible to an investment board and to Xavier University. As such, students are expected to use their organization and management skills to meet on-going tasks and reporting and disclosure requirements. They also are required to think strategically to address problems and challenges in managing the portfolio.

XSBIF Operational and Reporting Requirements

- The XSBIF Student Fund Managers will hold formal meetings on a weekly basis.
- For all approved trades, Student Fund Managers must provide a report indicating the reasons for the trade.
- XSBIF Student Fund Managers will be required to file their group reports, buy and sell trade reports, minutes of their formal meetings, and fund performance reports.

- The Fall XSBIF Student Fund Managers will be required to submit a Semiannual Report to the XSBIF Board of Directors and to the Investment Subcommittee of the Board of Trustees in the fall semester. The report will detail the performance of the fund, the security trades executed during the period, and the current position of the portfolio.

- The Spring XSBIF Student Fund Managers will be required to submit a Semiannual Report to the XSBIF Board of Directors and to the Investment Subcommittee of the Board of Trustees in the spring semester. The report will detail the performance of the fund, the security trades executed during the period, and the current position of the portfolio.

Organization Structure

To meet operation and reporting and disclosure requirement, the XSBIF will be set up with the following:

- Operation Manager or Team
- Portfolio Manager or Team
- Economic team
- Credit Analysis by each student and/or by groups
- Task Forces

As part of the fund’s management, students will be required to:

- Prepare assigned corporate-analysis or economic-analysis reports.
- Monitor companies and economic trends.
- Participate in the weekly meeting.
- Prepare the Semi Annual/Annual Report of the fund.
- Serve as operations and portfolio managers or lead task forces.
- Attend seminars set up by the investment fund covering subjects and topics related to the fund’s management.
- Work with the Xavier Student Investment Fund Board of Advisors.
LEARNING GOALS: WILLIAMS COLLEGE OF BUSINESS – MBA

BUAD 694 is an integrative course that meets the learning goals of Williams College of Business MBA Program: Specifically, as fund managers, students in Bond Portfolio Management learn:

- **Strategic Thinking and Leadership**: Students are required to achieve objectives of not only outperforming the index, but also other funds with similar objectives. This requires astute application of their knowledge of accounting, finance, economics, management, information systems, and marketing, as well as strategically managing an organization that can achieve such objectives.

- **Global Perspective and Cultural Diversity**: The management of a fixed-income portfolio requires that students be able to evaluate and integrate economic, political, technological, environmental and global issues into their analysis and decision making as it relates to investment and overall asset allocation decisions.

- **Ethics and Social Responsibility**: As fund managers of a portion of the endowment for a catholic university, students are required to screen corporate credits based on ethical and moral considerations. As fund managers, they also have a fiduciary responsibility.

- **Critical Thinking**: In managing an investment fund, student fund managers are regularly evaluating and selecting securities and the managing the overall portfolio. This requires critical thinking, clarifying problems, generating and evaluating alternatives using appropriate analytical, quantitative and qualitative techniques, and reaching conclusions.

- **Effective Written and Oral Communication**: Student fund managers are required to produce an annual report, periodic reports, maintain a website, meet with investment board members, and make a formal presentation to investment board and to the Investment subcommittee of the Board of Trustees. All reports and presentations are expected to be professional and of high quality.