FINC 490-01 Portfolio Management I

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Xavier University

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FINC 490: Portfolio Management I
Spring Semester 2017

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Mailbox Location: Faculty Suite 223
Office hours:
Wed 9:45 – 10:45
Thurs 1:00 – 3:00
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 D’Artagnan Capital Fund (DCF). Members of the DCF student management team are selected each semester by faculty in the Department of Finance.

For the Fall of 2016, the selection process includes successful completion of Firm Valuation (FINC 390) with a grade of B- or better, 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 to take FINC 492. In the Spring of 2016 spots in FINC 492 are expected to be competitive with approximately 20 students chosen based on their performance and participation in FINC 490 this Fall.

Students will manage approximately $2,400,000 of the University Endowment in a Large Cap Equity Portfolio.

Many students state that this is a much bigger time than many of the courses they have taken in the past. The University has entrusted you with over $2 million of money that has been donated by alums and benefactors. If you do not have the time or commitment please do not take the course this semester.

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: Firm Valuation (FINC 390).

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.

Learning Accessibility

Qualified students with disabilities who will require disability accommodations in this class are encouraged to make their requests to me by sharing their Accommodation Letters with me at the beginning of the semester either during office hours or by appointment. Disability related information is confidential. If you have not previously contacted Disability Services, I encourage you to do so by phone at 513-745-3280, in person on the Fifth Floor of the Conaton Learning Commons, Room 514, or via e-mail to Cassandra Jones at jonesc20@xavier.edu, to coordinate reasonable accommodations as soon as possible as accommodations are not retroactive.

It is my goal that this class be an accessible and welcoming experience for all students. If you are a student with a disability who may have trouble participating or effectively demonstrating learning in this course, contact me to arrange an appointment to share your Accommodation Letters from Disability Services and to discuss your needs. Disability related information is confidential. If you have not contacted Disability Services (located in the Learning Assistance Center) to arrange accommodations, I encourage you to do so by contacting Cassandra Jones, by phone at 513-745-3280, in person on the Fifth Floor of the Conaton Learning Commons, Room 514, or via e-mail at jonesc20@xavier.edu as soon as possible as accommodations are not retroactive.

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. Bring extra copies if there are guests for the day.

**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 being marked absent for the day, a lower final grade or F in the class. I reserve the right to give low grades for inappropriate behavior especially when guests are in attendance.

**Bloomberg Requirement:** I strongly recommend that you complete the Bloomberg Market Concepts self-paced course. To start type BMC<GO> The program is an 8 hour self paced course. The certificate would look good on a resume.

**Grading:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation (In Class, Written Stock feedback forms, Performance Reports, sector Reports, Assistant Officer duties, etc.)</td>
<td>30</td>
</tr>
<tr>
<td>Prospectus Quiz</td>
<td>5</td>
</tr>
<tr>
<td>Stock Valuation Reports (5 or more)</td>
<td>30</td>
</tr>
<tr>
<td>Performance Metric Exam</td>
<td>15</td>
</tr>
<tr>
<td>Final Exam</td>
<td>20</td>
</tr>
</tbody>
</table>

**Student Body of Work Portfolio:**

During the last week of class you will submit a portfolio which will contain all of your work from 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 Participation categories.
Verbal Feedback

Note that much of this course centers on 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 (BEA, FINC faculty, Former student, etc.). Minutes and attendance should be kept. 492 mgrs will report on the status of the meeting on Mondays. 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.

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.

Portfolio Performance Metrics:
I have recorded a series of portfolio performance metric videos for you to watch outside of class and have included examples. Please work through the videos and homework at the end of Chapter 24 of Bodie/Kane/Marcus. You will take an exam on this material and it will also be part of the material covered on the final.
DCF TENTATIVE CLASS SCHEDULE
This is likely to be modified several times. The CIO/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>1/9</td>
<td>Discuss syllabus, Style of the Fund, Review Prospectus, Operations manual, Dropbox</td>
<td>T: DCF Prospectus Bodie, Kane, Marcus Ch 24 R: Xavier University Investment Policy Statement</td>
</tr>
<tr>
<td>2</td>
<td>1/16</td>
<td>MLK day on Monday Wed: 8:00 Picture Day – Business Attire Quiz on the Prospectus</td>
<td>Chincarini &amp; Kim pp. 166-178 Stowe Chs 1-3 English Ch 14</td>
</tr>
<tr>
<td>3</td>
<td>1/23</td>
<td>Stock #1 Due on Monday with help from 492 students. Friday: 492 mgs are required to have “graded” reports to Professor by Noon.</td>
<td>Stowe Ch 4 English Ch 15</td>
</tr>
<tr>
<td>4</td>
<td>1/30</td>
<td>Monday: We will put up your models for you first stock valuation and critique them.</td>
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<tr>
<td>5</td>
<td>2/6</td>
<td>Stock #2 Due</td>
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<tr>
<td>6</td>
<td>2/13</td>
<td>Portfolio Performance test on Monday</td>
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<td>7</td>
<td>2/20</td>
<td>Stock #3 Due</td>
<td></td>
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<tr>
<td>8</td>
<td>2/27</td>
<td></td>
<td></td>
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<tr>
<td>9</td>
<td>3/6</td>
<td>SPRING BREAK</td>
<td></td>
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<tr>
<td>10</td>
<td>3/13</td>
<td>Stock #4 Due</td>
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<td>11</td>
<td>3/20</td>
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<tr>
<td>12</td>
<td>3/27</td>
<td>Stock #5 Due</td>
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<tr>
<td>13</td>
<td>4/3</td>
<td></td>
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<tr>
<td>14</td>
<td>4/10</td>
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<tr>
<td>15</td>
<td>4/17</td>
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<tr>
<td>16</td>
<td>4/24</td>
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</table>
| 5/1|    | Final EXAM WEEK  
Final Exam during University assigned 490 time period.  
**492 assigned exam 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. |

**Fund Performance Reports**

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