

STUDENT MANAGED FUND COURSE I

[MBA 6216]

FALL 2014

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Office Hours: Howard (Tuesday 5:00- 6:00 P.M. 9:30 – 10:00 PM or by request).

Class Hours & Location: Tuesday, 6:00 P.M., Howard Building, Room 454

Course Origin & Structure: *Investment fund to manage \$1M.*

Current Values of Portfolio: *As of 10/14/2014, the fund is valued at \$1,018,951.19.*

Course Description: *This course is a 2-unit course that takes place in the first semester of each academic year. The Student Managed Fund gives students at the University of San Francisco the opportunity to manage real money in financial markets, bridging the gap between financial theory and real-world applications. The purpose of the fund is to enrich the education of business students through a “hands on” approach and to beat market performance measured by Standard and Poor’s 500 Index. Students will also engage in extensive readings to develop their intuition and quantitative skills related to the investment process.*

There is a relatively heavy amount of work in this course. Students must be enthusiastic and find the work of valuating investment opportunities enjoyable. Students will gain many important skills, including: (a) Real-world, hand-on experience managing large sums of money; (b) develop an in-depth understanding of financial markets; (c) acquire skills in teamwork, research methods, public speaking and explaining, and financial analysis; (d) interact with members of the business and finance community; and (e) become a more attractive prospective employee.

Prerequisites: *The class will contain a select group of students. Class enrollment will be capped at TBD. Students are selected for enrollment in the class based upon the strength of their application in regard to the following criteria: GPA, prerequisites, relevant work*

experience, and computer skills. Knowledge of accounting, economics, and finance are prerequisites. Work experience in the fields of investments, accounting, or economics is beneficial. Prospective students must submit an application form with essay, transcript, and professor recommendation. The instructor and or small group (TBD) will select participants.

Class Structure: *In order to maintain structure, classes will have common elements. At the beginning of each class, the CIO (chosen by Professor) will bring the class to order. The CIO will engage class to discuss the financial news of the day and since the last class, discuss the current performance of the portfolio, and any macro or micro items relating to the portfolio. After this, every class will consist of a presentation by students (other students are required to prepare as well) on either selected readings on investments, stock proposal presentations, or special projects. Of particular importance are the investment idea presentations. These will be performed by groups of 2 or 3 students. These presentations must be thorough and extremely professional to convince fellow classmates of a good trade.*

In addition to stock or trade idea presentations, students will be expected to complete several projects in groups of 1, 2, or 3. These include:

- Identify and evaluate online sources of financial information
- Analyze the composition and performance of the investment portfolio, including any thoughts about risk management issues that need to be addressed, or the beta, the diversification, the expected return possibilities.
- Submit ideas for guest speakers in the community and arrange to bring them in.
- Make a detailed report on some item from the financial press that is relevant to the learning possibilities for students.
- Prepare the annual performance report for the University of San Francisco Board of Trustees and Investment Oversight Committee.
- Refine the code of ethics for the student managed fund.
- Make presentations to groups in the SF community about the student managed fund.
- Author or co-author with professor or students in the fund a paper related to investing.
- Monitor stocks in the portfolio for important developments and recommend action to class.

Instead of pursuing one of the projects described above, students can volunteer for a formal position on the investment team. These include:

Chief Investment Officer: Will bring class to order, review the portfolio with the class, and engage class in discussion on current events related to the portfolio.

Performance Analyst: Will organize an automated system to produce regular performance reports on the portfolio for the class and for the quarterly newsletter.

Editor of Newsletter: Will organize a smooth and orderly process to produce the quarterly newsletter with inputs from members of the class. Will also strive to improve its content over time.

Editor of Website: Will maintain and regularly update the USF Student Managed Fund **website, including posting quarterly letters, news events, and constantly adding improvements over time. Should be familiar with programming and web development and/or must find a programmer/company to build website and must submit a budget to me**

Chief Operating Officer: Communicate and work with alumni for events, for guest speakers, for network, coordinate social events, post flyers, and recruit new talent for class.

Economist: Will keep abreast of macroeconomic developments and make presentations on the macro-economy.

Quant Data Analyst: Assigned person who makes downloads and analyzes data for the quant model. Makes sure quant inputs are accurate.

Despite the basic classroom structure, the class will be flexible for unanticipated events. In every class, students are encouraged, even without formal presentation to bring ideas about investing at any time.

Investment Positions: All investments will be decided solely by the students and models of the class. A quant model will be used to initially screen stocks. Over/under weights and additional securities will be chosen by student secret ballot vote. Trades will only take place with a 2/3 majority.

Industry Licenses:

Students are strongly encouraged to enroll in the CFA program (www.cfainstitute.org) or in the MTA program (www.mta.org). The first program is the Certified Financial Analyst pedigree, while the second is a Chartered Market Technician's pedigree. These are credentials that are increasingly being attained by people in the financial industry. Much of the material in this course will overlap with the study guide of the CFA.

Reading Materials: Books¹:

Success in this course involves a commitment to a fair amount of reading from a wide variety of sources besides the ones that are required. The professor will routinely distribute new articles of reading every semester.

1. Chincarini, Ludwig B. and Daehwan Kim. *Quantitative Equity Portfolio Management*. New York, McGraw-Hill, 2006. .
2. Lynch, Peter. *One Up on Wall Street*, Simon and Shuster, 2000.
3. Hooke, Jeffrey. *Security Analysis and Business Valuation on Wall Street*, Wiley-Finance, 2010.
4. Buffett Book or Handout of Buffett's Shareholder letters (TBD).

¹ These books should be purchased by every student either in the bookstore or online.

Reading Materials: Non-Required Books²:

1. Chincarini, Ludwig B. *The Crisis of Crowding. Quant Copycats, Ugly Models, and the New Crash Normal*, Wiley, 2012
2. Tuckman, Bruce and Angel Serrat. *Fixed Income Securities*, Wiley-Finance, 2012.
3. Zacks, Leonard. *The Handbook of Equity Market Anomalies*, Wiley-Finance, 2011.
4. Moore, Keith M. *Risk Arbitrage. An Investor's Guide*, Wiley-Finance, 1999.
5. Yamarone, Richard. *The Trader's Guide to Key Economic Indicators*, Bloomberg Financial, 2012.
6. Damodaran, Aswath. *The Dark Side of Valuation. Valuing Young, Distressed, and Complex Businesses*, FT Press, 2010.
7. Templeton, Lauren and Scott Philips. *The Market-Beating Strategies of Value Investing's Legendary Bargain Hunter*, McGraw-Hill, 2008.

Reading Materials: Newspapers & Periodicals:

1. The Wall Street Journal* (read on daily basis)
2. Barrons* (read on weekly basis).
3. The Economist (optional).
4. Forbes
5. Fortune
6. *Financial Analysts Journal* (available through the library)
7. *Journal of Portfolio Management* (available through the library)
8. Latest Working Papers in Finance (www.ssrn.com)

*Discount order forms available from instructor.

² One copy of each of these books will be reserved for student usage. However, students may wish to buy their own copies of some of these books.

Reading Materials: Websites*:

1. Bloomberg (www.bloomberg.com & terminals)
2. Moodys (www.moodys.com)
3. Standard and Poors (www.standardandpoors.com)
4. General Finance Resources (http://ludwigbc.com/research/finance-resources/)
5. Hoovers. (www.hoovers.com) Financial information on 10,000 companies
6. Value Line Investment Survey (http://www.valueline.com)
7. S&P Industry Surveys (http://www.standardandpoors.com/products-services/industry_surveys/en/us)
8. S&P The Outlook (http://www.standardandpoors.com/products-services/outlook/en/us)
9. Yahoo Finance (finance.yahoo.com) Security information and quotes.
10. American Association of Individual Investors (www.aaii.com) Basic information on investing and strategies.
11. The SEC. (www.sec.gov) All SEC information on all publicly traded companies.
12. The Financial Web. (www.finweb.com) Links to all sorts of basic financial information.
13. Finance on Internet (http://people.ischool.berkeley.edu/~hal/pages/finance.html) Links to financial databases, journals, working papers, etc.

**Many of these are paid services available through the student managed fund share account or the USF library.*

The Honor Code: As a Jesuit institution committed to cura personalis- the care and education of the whole person- USF has an obligation to embody and foster the values of honesty and integrity. USF upholds the standards of honesty and integrity from all members of the academic community. The Honor Code can be found at: <http://www.usfca.edu/fogcutter>. Plagiarism on group projects or cheating on quizzes or exams will result in deferral to the appropriate disciplinary authority. The CFA code of conduct can be found: <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

Disability: Students are encouraged to inform the instructor of any disabilities that may impair their ability to learn.

Lateness and Attendance: Missed exams, late papers, and absenteeism can reduce a student's grade up to the discretion of instructor.

Course Requirements and Grading:

Special Projects:	25%
Presentations:	50%
Participation:	25%

Presentations: This is being part of an investment recommendation presentation to the class.

Special Projects: This includes the list of items earlier in the syllabus.

Participation: Those who participate in an active role and complete their duties in a timely fashion, will automatically cover this area. Those who do not have a role for the class, must either suggest one or being very active in participating.

Course Outline

Due to the dynamic nature of the class and the imperative to respond to current events and unforeseen events, the course outline may change as we progress through the semester.

Meeting Date	Topics	Readings	Important Events
Class 1	Introduction to Investing Introduction to the Course The Portfolio Investment Policy Ethics	See Syllabus, Read Chincarini and Kim (2006), Hooke (2010), Lynch (2000), and TBD	
Class 2	Trade Idea Presentations. Groups present on their sectors. Discussion of reading topics.	See Syllabus, Read Chincarini and Kim (2006), Hooke (2010), Lynch (2000), and TBD	
Class 3	Trade Idea Presentations. Groups present on their sectors. Discussion of reading topics.	See Syllabus, Read Chincarini and Kim (2006), Hooke (2010), Lynch (2000), and TBD	
Class 4	Trade Idea Presentations. Groups present on their sectors. Discussion of reading topics.	See Syllabus, Read Chincarini and Kim (2006), Hooke (2010), Lynch (2000), and TBD	
Class 5	Trade Idea Presentations. Groups present on their sectors. Discussion of reading topics.	See Syllabus, Read Chincarini and Kim (2006), Hooke (2010), Lynch (2000), and TBD	
Class 6	Trade Idea Presentations. Two or three groups will present their stock ideas and reports to the class.	See Syllabus, Read Chincarini and Kim (2006), Hooke (2010), Lynch (2000), and TBD	