



## FIN 377-1: Portfolio Analysis and Management (Spring 2019)

**Instructor:** Dr. Kamm, Department of Finance

**Office & Email:** CBA 6.304D; [kelly.kamm@mccombs.utexas.edu](mailto:kelly.kamm@mccombs.utexas.edu)

**Instructor Office Hours:** 5 to 6:15pm Tuesday and Thursday

**T.A.s:** Peter Fenelon, [Peter.Fenelon@mba19.utexas.edu](mailto:Peter.Fenelon@mba19.utexas.edu); Catinca Fercu, [Catinca.Fercu@mba19.utexas.edu](mailto:Catinca.Fercu@mba19.utexas.edu)

**Section 03545 03550:** TTH 2 to 3:30 and 3:30 to 5 in UTC 1.104, 90% or better class attendance expected

**Course Packet of Cases:** GSB Copy Center on 3<sup>rd</sup> floor – Required (instead of book)

**Other Required Materials:** Financial Calculator (HP 10B) for tests & WSJ for papers & presentations

**PPTs and Excel Workbooks:** Posted prior to class on canvas

**Attendance & Assignments:** due by end of class; professor guided, two will be dropped

**Class Web Site:** Canvas – Find PPTs, spreadsheets, problem sets for download / printing

**Financial Center:** Bloomberg and Excel work related to cases

**Group Portfolio Simulation:** 3 Funds with Requirements and directions from Professor / [www.stocktrak.com](http://www.stocktrak.com)

### **Readings: Portfolio Regulations and Case Analyses**

Portfolio Regulations – Set of three Portfolios in PPT notes

Investments Review and Broadening Concepts: Futures and Options in PPT notes

Tremblant Capital Group, by Greenwood; 9-210-071

Universal Display Corporation: Go Long or Short? By R Korajczyk, et al, KEL 716

Introduction to Portfolio Theory, by Andre Perold; 185066

Partners Healthcare, by Joshua Coval; 206005

Walt Disney's Sleeping Beauty Bonds, Duration Analysis, by Carlis Baldwin; 294038

Deutsche Bank: Finding Relative Value Trades, by Chacko et al, 205059

Bitcoin: Investment or Illusion, by Y Allayanninis & A Fernstrom, UV7393

Measuring Mutual Fund Performance, by Charles Williams; 298139 (Industry & Background Note)

Thomson Asset Management, by Fruhan and Banko; 914565

Behavioral Finance at JP Morgan, by Banker and Sisia; 207084

The Hedge Fund Industry, by William Fruhan; 208126

Amaranth Advisors: Burning Six Billion in Thirty Days, by Anuroop Duggal; 908N03

Martingale Asset Management LP in 2008, 130/30 Funds ..., by Viciera and Tung; 209047

Harvard Management Company (2010), by Perold and Stafford; 211004

Illinois Teachers' Retirement System: Private Equity Performance, by Susan Chaplinsky; UV6899

Note on Option Valuation, by George Chacko et. Al; 205106

The Galaxy Dividend Income Growth Fund's Option Investment Strategies, by W. Carl Kester, 9216041

Pine Street Capital (immunize hedge fund by shorting or buying options), by George Chacko, 9201071

Note on Commodity Futures, by A. Nancy Donahue et. Al; 293018

Betting on Gold Using a Futures-Based Gold ETF, by Pedro Matos; UV6654

### **COURSE OVERVIEW:**

The pre-requisite for this course is FIN367, Investment Theory. FIN377-1, Portfolio Analysis and Management, is a course overview of the areas of portfolio management and security analysis. Topics covered include portfolio theory, risk management, performance evaluation, and behavioral finance and market anomalies. In addition, we will review the valuation, correlations, and performance of various asset classes—fixed income, stocks, real estate and commodities. The course will look at different types of funds and models of investing—hedge funds, endowment funds, pension funds, and the various assets they hold including PE investments. To be able to understand different types of hedge funds and risk management techniques the course will include sections on futures and options. Portfolio Analysis and Management is designed for upper-level finance majors to provide them with advanced skills in financial markets, security analysis and portfolio management.

Students get hands-on practice at selecting securities and managing a portfolio using Stock-trak, an investment simulation product in “real time”. The instructor will provide each group with \$1,000,000 to manage in the stock portfolio (long only), \$500,000 in the long-short fund and \$200,000 in the futures fund. The instructor will guide you toward building a portfolio of investments that will include the following securities: domestic and foreign stock, bonds, real estate and / or commodities. You will also set up portfolios to help you learn about hedge funds and how futures and options trade and are used in asset management. The professor gives portfolio requirements with which your group need comply so that you build a portfolio that accomplishes the intended objective. In small groups, you will undertake current financial research to decide which securities you will hold (or short) in your funds. Additional features that students practice include the use of stop and limit orders as well as leverage and short selling.

In this course a combination of methods is utilized with *special emphasis on student involvement*. Some of the methods are: lecture, case review, spreadsheet modeling in Excel, working with financial center data feeds (Bloomberg and Fact Set), group meetings and research outside of class, and discussion of current financial events. Class attendance is very important; students who attend regularly tend to do better. The professor utilizes the lecture format to introduce key topics, to demonstrate financial models & techniques, and to guide students in their portfolio projects. Students take an *active* part in this class; you will likely find that the level of learning depends on your effort level both during class and outside of class. Group members are encouraged to assist one another and learn from one another. The emphasis on student involvement encourages students to learn by doing and encourages the self-motivation so important to the workplace. If a student is unable to fulfill his or her commitment to the group, he or she may be asked by the professor to complete assignments alone perhaps with a slight extension and with a full grade downgrade.

### **EXPECTATIONS: PROFESSIONAL CLASSROOM & GROUP CONDUCT:**

Professional behavior is expected in the classroom and will help us have a rewarding and enjoyable learning experience. Arriving on time, excellent attendance, being attentive and participating are all essential for the success of the class. When class starts, all of us will cease side conversations and focus time allotted on classroom material. Electronic devices are prohibited during class; this includes checking text messages under backpacks or your desk. Computers are used only if required by professor during part or all of a class. Two combinations of the following will count as a zero for the day: using electronic devices, late arrival to class, leaving or walking around during class, and leaving prior to the end of class. *In order for an absence to be marked as excused, you will need to send me the original email regarding an interview or some sort of an attachment via email.* If the absence meets the university requirements for an excused absence, then it will be

recorded as excused. It is up to you to manage your schedule and arrive on time to keep excused absences to three or fewer over the term. If you wish to have one unexcused absence for reasons not covered under university policy, then keep excused absences down to two or fewer.

In addition, you are expected to attend and arrive on time to group meetings and contribute in a meaningful and productive way to all group work. If a student is not able to meet his or her commitments, the other group members shall notify the professor as soon as possible. *In accordance with academic integrity, students may not earn credit for work to which they have not contributed at a reasonable level; if someone in your group has not contributed at a meaningful level, leave his or her name off the project or presentation and then email me to call my attention to the issue.* Once I am aware of the issue, the student may be redirected, receive partial or zero credit, and / or be permitted to do the group work as a single student. Adherence to the above expectations regarding professional behavior helps ensure a high participation / evaluation grade. Inability to meet these expectations will lead to a lowering of the final participation / evaluation grade.

## **EVALUATION:**

Final grades will be determined as follows:

**In-Class Assignments (Individual) / Attendance** **10%**

Many days the professor will give students in-class assignments, often Excel models, which the instructor helps lead students through. Though each student must complete his or her own work, students should in fact work in a collaborative fashion and help one another.

Assignments are due by canvas upload at the end of class (although occasionally or possibly on occasion turned in hard copy). The professor will drop the lowest grade (or possibly two depending on the number assigned). The student should save his or her completed spreadsheet prior to upload and name the file, if possible, by last name. Do not ask to use another student's work nor send your completed file to another student.

The grading scheme is as follows:

- In class, submitted on time, best effort basis, (defined as about 80% or more correct) = full credit  
In class, submitted up to a day late, best effort basis, (defined as about 80% or more correct) = 80%  
Not in class, submitted on time, best effort basis, (defined as about 80% or more correct) = 70%  
Not in class, submitted up to a day late, best effort basis, (defined as about 80% or more correct) = 60%  
Up to 2 days late = 40%; later than that no credit  
Not completed on best efforts basis or not very well done = 40%  
Post blank spreadsheet = 0 (and possible 50% reduction on next posting)  
Shared or used someone else's spreadsheet = zero not just for assignment but for entire category

If a case discussion short paper is assigned prior to a class, similar policies will apply in terms of evaluation.

**Portfolio Projects: 1<sup>st</sup> Paper (Group Grade though possibly Individual Grade)** **10%**

The first paper is a group Portfolio Assignment that includes a series of three papers submitted in one document. The series corresponds to the three group funds— Stock Fund (Long), Long / Short Hedge Fund, and Dedicated Futures (& Options) Fund. You will spend time in groups researching and setting up these three funds under the direction of the professor who provides you with the portfolio rules and necessary spreadsheets. Funds will be invested in stock-trak by the due date and form the basis of the 1<sup>st</sup> paper. In your group paper for each fund, include a one to two page write-up, at least two exhibit pages, and then a works cited listing research undertaken. Since you are including four or more pages each of the three papers (including exhibits and works cited), the entire project paper will be about 12 pages or longer (including the exhibits and works cited). The paper is submitted by canvas upload (and hard copy may be required if professor announces so), and will be graded on completeness and correctness, professional nature of the exhibits, and how well it is researched and

written. See additional documents regarding the paper and policies as well as the university policy on academic honesty.

*A student must contribute in a fair way toward the portfolio set-up and toward the research and writing to submit as part of the group. If any student is not able to uphold this commitment, he or she shall simply work alone on a portfolio and / or on the first paper and receive a one-letter downgrade.*

**First, In-Class Test (Individual Grade)**

**22.5%**

The first test will be given about half way through the term. The test will consist of a multiple choice section counting for about 40% of the test grade and a problem solving / analysis / short essay counting for about 60% of the grade. The test will evaluate students' understanding of all material covered to date including: material learned from preparing and discussing the cases; theory, application and interpretation related to portfolio management topics; articles covered in class discussion; and your hands-on experience from working in the trading center. To do well on tests, it is important to attend class, read material prior to class, review class notes, work through problems from the problem set and review excel spreadsheets. Though the problem set may not be collected and graded, many of the short problems and analysis are related to your successful completion of the problem set which is posted on-line with the solutions. Think of the problem set as a type of practice test for the problem section of the test.

On test day, you should arrive 5 to 10 minutes early if possible, and bring a financial calculator, a pencil and one side of one page of notes. The one-sided page should be *handwritten* with any tips, formulas or short examples that are helpful to you but shall not include long portions of copying; the notes page is to help you learn and do better on the test and not just copy and paste. In the case that a test is missed with an *excused absence* approved by the Dean's office, the student will take a cumulative final at the end of the term.

**Second, In-Class Test (Individual Grade)**

**22.5%**

The second test is given near the end of the term. The test will consist of a multiple choice section counting for about 40% of the test grade and a problem solving / analysis / short essay counting for about 60% of the grade. Test questions will primarily focus on material covered after the first test; it will be cumulative only in so far as the course material is cumulative. The test will evaluate students' understanding of all material covered to date including: material learned from preparing and discussing the cases; theory, application and interpretation related to portfolio management topics; articles covered in class discussion; and your hands-on experience from working in the trading center. To do well on tests, it is important to attend class, read material prior to class, review class notes, work through problems from the problem set and review excel spreadsheets. Though the problem set may not be collected and graded, many of the short problems and analysis are related to your successful completion of the problem set which is posted on-line with the solutions. Think of the problem set as a type of practice test for the problem section of the test.

On test day, you should arrive 5 to 10 minutes early if possible, and bring a financial calculator, a pencil and one side of one page of notes. The one-sided page should be *handwritten* with any tips, formulas or short examples that are helpful to you but shall not include long portions of copying; the notes page is to help you learn and do better on the test and not just copy and paste. In the case that a test is missed with an *excused absence* approved by the Dean's office, the student will take a cumulative final at the end of the term.

**Final Portfolio Project Paper (Group Grade though possibly Individual Grade)**

**20%**

This paper takes the place of the cumulative final so you should look at the due date written on the syllabus schedule instead of consulting the final exam catalog. In groups, students set up, at the beginning of the term, a basic portfolio in stocks, a long-short hedge fund, and a futures hedge fund. In the basic diversified portfolio, students set up a growth or value style fund and select approximately 30 stocks representing different sectors. In the long-short hedge fund students use leverage and take both long and short positions; most students prefer

net long portfolios though a few do set up market neutral funds. In the long short hedge fund, students may invest in stocks only or may select ETFs on bonds, real estate, commodities or volatility. In the dedicated futures (and options) fund, students will be long or short several futures contracts as well as one or more options. Students previously submitted the first paper detailing positions and research. In the final paper, students shall analyze the performance of the funds over the term. Analysis of portfolio statistics and performance shall be demonstrated by way of exhibits. The paper must display evidence of research in the attached works cited pages. References used may be recent articles from the Wall Street Journal, Economist, etc. The paper will entail: approximately 12 pages written, 12 or more exhibit pages, and a page or more of references. The paper is submitted by canvas upload (and hard copy may be required if professor announces so), and will be graded on strength of analysis, demonstration of your understanding and ability to apply concepts learned in the course, strength of exhibits in applying course concepts and skills, and how well it is written. See additional documents regarding the paper and policies as well as the university policy on academic honesty.

*A student must contribute in a fair way toward the portfolio set-up and toward the research and writing to submit as part of the group. If any student is not able to uphold this commitment, he or she shall simply work alone on the final paper and receive a one-letter downgrade.*

#### **Professor Evaluation / Participation & Peer Review (Individual Grade)**

**15%**

Class participation is based on the contribution of each student to the class as a whole and to the group efforts. Solid performance in this area depends on: consistent attendance; being actively engaged when we are doing in-class assignments, demonstration that you are prepared for class; effort level toward group papers and presentations; strong reviews by peers in their evaluations; and adherence to class policies (see below for class policies including prohibition of improper use of electronics during class). To be prepared for class, read the case prior to class. Also, take an active part in case analyses in class by giving your answer or opinion, solving problems, and suggesting solutions. Also submitting required peer reviews helps you with participation while failing to submit your self and peer reviews leads to a 20-point downgrade for each one not submitted.

For most students, participation serves as a slight curve toward the final grade. After all components prior to this one have been scored, the grades are combined to provide an “objective average” or “starting point” grade for participation. Students with strong attendance, professional conduct and committed participation in group work will receive this grade or higher (up to a letter grade) for the participation grade. *Strong attendance is defined as attending ninety percent or more of class periods unless excused by university policy\*, ninety percent or better attendance equates to three or fewer absences. A student with poor attendance (missing more than 20% of class periods—six or more classes), or poor effort in group work, or anyone who is disruptive / unprofessional earns a zero. Thus the grade in this final category may range from zero to a grade of A or 96 or perhaps higher.* The vast majority of students—those with good class performance and solid participation, receive an A or B for the participation curve. This last component, if high, tends to help students on the borderline—for example a grade of 79 prior to participation will likely result in a final grade of an 80.

\*Any two combinations of the following will count as an absence: using electronics, late arrival to class, leaving during class, leaving prior to the end of class. Students who attend 90% or better are entitled to any curve if one is needed in the class; those with lower attendance than 90% do not qualify for any potential curve.

#### **Final Letter Grades**

Final letter grades will be determined so that a class G.P.A. of approximately 3.4 is obtained. This G.P.A. is within the recommendations provided by the UPO office and the department of finance curriculum committee. Let me give you a general idea of what such a G.P.A. could imply. If about 40% of the class were assigned grades distributed equally over A- and A and about 60% of the class were assigned grades of B+, B, and B-, then the class average G.P.A. would be almost a 3.4. The instructor for the course does not, though, necessarily adhere to a specific percentage breakdown of A, A-, B+, B, B-, C+ and the like. Since this is an elective course, most terms very few students earn grades in the C, D or F range but it does happen. Usually these are cases of poor peer evaluations, poor attendance, and missed work. Thus the example given was for illustrative purposes to help you understand one way a 3.4 average G.P.A. might be achieved. Since class

grades will be assigned based on this method and no number cutoffs are given, the professor for the course will attempt to post on occasion approximate grade cutoffs. Soon after grades for the first short paper and first test have been posted, the professor will share with the class what the grade assignments would be if given on that day. This information is for illustrative purposes and so that students may get a general sense of where they stand in terms of evaluation. Note again, the guidelines posted are general and apply only to those who have strong participation and peer review. *If an upward curve is needed on tests or final grades, only those with strong attendance and peer evaluation are eligible to receive the curve.* Grade assignments and cutoffs may change by the end of the term depending on new items submitted.

### **Deviations from Academic Honesty / Not Pulling Weight in Groups and Negative Effect on Grades**

Deviations from Academic Honesty on a test or on a paper will be forwarded to the Dean of Students office with a recommendation of zero on the item in question and the penalty of another full letter downgrade in the student's final average. Since academic dishonesty cases are not tolerated and result in clear downgrades, it is worth me reminding you that guessing on a test (or turning a paper in late and taking a downgrade) is a much better option than academic dishonesty.

Students are expected to contribute in an approximately equal fashion to all group assignments. In a group of four, for example, it may not be the case that everyone contributes exactly equally at 25% of the final product on a particular assignment. *If, however, a group member contributes either nothing or does contribute something but it is small relative to peers, then academic integrity would require you to do two things: one, leave that student's name off the work and two, send an email to the instructor notifying her of the situation.* The instructor for the course most often will decide to remove a student from a group if the group is experiencing challenges. In the case of little or no contribution, the student may receive a zero or she or he may be permitted to do the entire project on his own with a letter downgrade.

### **Various Class Policies**

Electronics—I follow the department of finance policy on the use of electronics in class. This policy states that use of any electronic advices or tools (laptops, cell phones, etc.) during class is prohibited unless specifically requested by the professor of the class. This means that laptops are closed and all other devices are put away prior to the start of class; students shall not initiate nor receive text messages during class nor have phones out charging during class. If we need computers for class, the professor will at times permit computer use and at other times require computers closed or turned off. Adherence to this policy facilitates the students' abilities to process class material and helps lead to a solid participation grade; failure to follow the policy disrupts the class and leads to a poor participation grade.

Test Times-- I adopt class policies that encourage students to keep up on material such that with attendance and solid time management, students should find themselves adequately prepared to be able to study and take exams. You are required to take exams at the scheduled date unless you have a university excused absence. If you know you will have a university excused absence, contact me ahead of time to see if something can be arranged prior to take the test early. Submit documentation to verify. No make-up exam is offered after the test. If you miss an exam and have a university excused absence, you will be offered a *cumulative exam at the end of the term.*

Test Review after the Test— Once tests are graded and ready to be reviewed, I will have a three week period when you may review your test during office hours. To be able to review your test, please stop by during that period.

Accommodations—I follow the university policy on special accommodations and am happy to work with you on this matter. At the beginning of the term or prior to the first major project or test, please submit to me a letter prepared by the Service office listed above. Then, email three business days ahead of the scheduled test reminding me of the *nature of the accommodation and the time that you can start* (keeping in mind you must end by 4:30pm) so that we can make arrangements.

Attendance at your section – You are required to attend your own section. Attendance at the other section is not permitted. One exception to this rule is allowed per term (per student) if the student submits a request prior to the class and the instructor is able to accommodate the request. No guarantees are made on accommodating such a request since most days require attendance at your section.

Documenting a family emergency—The office of the Dean of Students is able to provide student services that can assist you in the event of a family emergency. To get that assistance and to document that situation with me as your faculty member, look at the following web address for how to proceed:  
[deanofstudents.utexas.edu/emergency/](http://deanofstudents.utexas.edu/emergency/).

Late Work and Presentation Arrival—The policy on work submitted late for major work (projects, papers, peer evaluations, etc.): 1 second to 10 minutes late = -8 points; 10 minutes to 20 minutes = -15; after 20 minutes email professor regarding issue and intended turn in, 20 minute mark to 1 day = -25; each day later than 24 hours = original -25 plus -15 for each day.

### **Important Notifications**

#### **Students with Disabilities**

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259,  
<http://diversity.utexas.edu/disability/>.

#### **Diversity and Inclusion**

It is my intent that students from all diverse backgrounds and perspectives be well served by this course, that students' learning needs be addressed and that the diversity that students bring to this class can be comfortably expressed and be viewed as a resource, strength and benefit to all students. Please come to me at any time with any concerns.

#### **Religious Holy Days**

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

#### **Policy on Scholastic Dishonesty**

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program's Statement on Scholastic Dishonesty at  
<http://my.mccombs.utexas.edu/BBA/Code-of-Ethics>. By teaching this course, I have agreed to observe all faculty responsibilities described there. By enrolling in this class, you have agreed to observe all student responsibilities described there. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Conduct and Academic Integrity website at

<http://deanofstudents.utexas.edu/conduct/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

### Campus Safety

Please note the following key recommendations regarding emergency evacuation, provided by the Office of Campus Safety and Security. More info at: <https://preparedness.utexas.edu/>.

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings and assemble outside when a fire alarm is activated.
- Familiarize yourself with all exit doors of each classroom and building you may occupy.
- If you need evacuation assistance, inform the instructor in writing asap.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by Austin or UT police or fire authorities.

Behavior Concerns Advice Line (BCAL): 512-232-5050 or [on-line](#).

In case of emergency, further information will be available at: <http://www.utexas.edu/emergency>.

## Texas BBA Community Values



### Our Responsibility

Lead with integrity,  
Improve the world

Leadership  
Ethics  
Accountability  
Social Responsibility

### Our Community

Respect our differences,  
Leverage our diversity

Diversity  
Inclusion  
Collaboration  
Respect

### Our Growth

Challenge old ideas,  
Inspire innovation

Intellectual Curiosity  
Innovation  
Adaptability  
Exploration

### Our Best

Dream big,  
Work hard,  
Never give up

Achievement  
Self-Reflection  
Authenticity  
Perseverance

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## Schedule

T Jan 22	Introduction to Portfolio Analysis and Management
<b>Learning Objectives</b>	Syllabus & Course overview
<b>Readings</b>	PPT Notes: All Stock Portfolio (Long only), Long/Short Hedge Fund
Th Jan 24	Long and Short Positions – Tremblant
<b>Learning Objectives</b>	Developing long vs. short investment theses
<b>Readings</b>	Tremblant Capital Group
T Jan 29	Long and Short Positions – Universal Display
<b>Learning Objectives</b>	Developing long vs. short investment theses
<b>Readings</b>	Universal Display Corporation: Go Long or Short
Th Jan 31- start FC	Stock-Trak All Stock Portfolio
<b>Learning Objectives</b>	Setting up a Growth or Value Fund relative to a benchmark Bloomberg: correlation matrix and portfolio tracking
<b>Readings</b>	Stock-Trak <i>All Stock</i> Portfolio PPTs; Excel work
<b>Groups Assigned / Due</b>	Groups Set in Canvas by random assignment (Email by end of class to express preferences or concerns)
T Feb 5 FC	Stock-Trak Long Short Hedge Fund
<b>Learning Objectives</b>	Setting up & Evaluating Long Short Hedge Funds Bloomberg: correlation matrix and portfolio tracking
<b>Readings</b>	Stock-Trak <i>Long-Short Hedge</i> Fund PPTs; Excel work Registration for first two stock-trak portfolios (designated person only)
Th Feb 7	Group Meeting Day to Work on All Stock Portfolio and L/S Hedge Fund
<b>Due</b>	<b>Invest All stock Fund in Stock-Trak by this Sun, 5 pm</b> <b>Set up Correlation and Portfolio in Bloomberg by this Sun, 11:59pm</b> <b>Save for 1<sup>st</sup> paper – this is 1<sup>st</sup> of 3 series that comprise paper 1</b>
T Feb 12 FC	Risky Assets, the Riskless Asset, & the Optimal Portfolio
<b>Learning Objectives</b>	Risky Assets, Correlation Coefficients, and Efficient Frontier Portfolio Standard Deviation vs. Average of Assets in Portfolio
<b>Readings</b>	Introduction to Portfolio Theory - Perold
Th Feb 14 FC	Traditional and Alternative Asset Classes and the Efficient Frontier
<b>Learning Objectives</b>	Five Risky Asset Classes and Efficient Frontier Historical Correlation Coefficients vs. Future Relationships
<b>Readings / to do</b>	Partners Healthcare – Coval

<b>Due</b>	<b>Invest Long-Short Hedge Fund in Stock-Trak by this Sun, 5pm</b> <b>Set up Correlation and Portfolio in Bloomberg by this Sun, 11:59 pm</b> <b>Save for 1<sup>st</sup> paper – this is 2<sup>nd</sup> of 3 series that comprise paper 1</b>
T Feb 19 FC	Fixed Income Management and Disney Bonds
<b>Learning Objectives</b>	Fixed Income Valuation, Interest Rate risk & Duration Duration in Excel; Graphing the Bond Price Interest Rate Curve
<b>Readings</b>	Walt Disney's Sleeping Beauty Bonds
Th Feb 21 FC	Yield Curve Trades at Deutsche Bank
<b>Learning Objectives</b>	Deutsche Bank Yield Curve Model vs. Bootstrap Results – Potential Trades
<b>Readings</b>	Deutsche Bank: Finding Relative Value Trades – Chacko et al
T Feb 26 FC	Stock-Trak Dedicated Futures (and Options) Portfolio
<b>Learning Objectives</b>	Futures and Options Parameters and Payoffs-- Review Set up & Futures (and Options) Hedge Fund in Stock Trak
<b>Readings</b>	Futures and Options PPT Review; Stock-Trak Futures Fund PPTs
<b>Due</b>	<b>Invest Futures &amp; Options Hedge Fund in Stock-Trak by this Wed, 5pm</b> <b>leverage calculation required / Bloomberg PRTU &amp; Correl is optional</b> <b>Save for 1<sup>st</sup> paper – this is 3rd of 3 series that comprise paper 1</b>
Th Feb 28 FC	Bitcoin and Other Asset Classes
<b>Learning Objectives</b>	Bitcoin and Futures on bitcoin
<b>Readings</b>	Bitcoin: Investment or Illusion– Y Allayannnis & A Fernstrom
<b>Due</b>	<b>Turn in first portfolio paper – series of three papers submitted as one</b> <b>Monday after this class by 4pm in the Finance Department</b>
T Mar 5 FC	Mutual Fund Performance and Morningstar Ratings
<b>Learning Objectives</b>	Measuring Mutual Fund Performance, Importance of Benchmark Morningstar Rating System, upside risk, downside risk
<b>Readings</b>	Measuring Mutual Fund Performance – Williams
<b>To Do</b>	Start Problem Set 1
Th Mar 7 FC	Thompson Asset Management
<b>Learning Objectives</b>	Apply Information Ratio; Standard Deviation and Sharpe Ratio Portfolio Beta, Treynor Ratio and Jensen's Alpha; Portfolio Optimization
<b>Readings</b>	Thomson Asset Management—Fruhan and Banko

T Mar 12 FC	Behavioral Finance / Professionally Managed Equity Funds
<b>Learning Objectives</b>	Anomalies, Behavioral Finance, Momentum &Value Strategies
<b>Readings</b>	Behavioral Finance at JP Morgan, by Banker and Sesia
Th Mar 14	Test 1 (40% multiple choice; 60% problem solving & analysis)
<b>To Do</b>	<b>Test 1</b>
<b>Bring</b>	Pencil, Financial Calculator, 1-page, 1-side handwritten notes
<i>Spring Break</i>	
T Mar 26 FC	Hedge Fund Strategies: Risk and Return
<b>Learning Objectives</b>	Types of Hedge Funds; Incentive Fees, History of Hedge Funds Long-Short Hedge Fund Outperformance / Underperformance
<b>Readings</b>	Hedge Fund Industry
Th Mar 28 FC	Futures-Based Hedge Funds and Analysis of a Collapse
<b>Learning Objectives</b>	Review of a Hedge Fund Collapse with high L in energy futures
<b>Readings</b>	Hedge Fund Industry & Amaranth Advisors: Burning 6 Billion in 30 D
T April 2 FC	Overview of Class Standings in Stock Fund and Two Hedge Funds
<b>Learning Objectives</b>	Application of Absolute vs. Risk Adjusted Rankings Rank of Percent Return on each asset and contribution to portfolio
Th April 4 FC	Short Extension Funds; the 130/30 Strategy
<b>Learning Objectives</b>	Martingale Asset Management, a Quantitative Value Oriented Fund 130/30 Fund, increased Tracking Error and the Optimal Shorting Ratio
<b>Readings</b>	Martingale Asset Management in 2008, 130/30 Funds – Viciera and Tung
T April 9 FC	Endowment Models of Investing and Performance Evaluation
<b>Learning Objectives</b>	Harvard Endowment Model: Policy Portfolio and Evolving Asset Mix Hybrid Model of Investing, Risk Management, Stress Tests
<b>Readings</b>	Harvard Management Company (2010) - Perold and Stafford
Th April 11 FC	Pension Models of Investing and PE Fund Allocations
<b>Learning Objectives</b>	Pension Fund Obligations, PE Allocation and Performance (Illinois TRS)
<b>Readings</b>	Illinois Teachers' Retirement System: Private Equity Performance
T April 16 FC	Option Valuation and Implied Volatility
<b>Learning Objectives</b>	Apply Black-Scholes Option Pricing Model and Implied Volatility
<b>Readings</b>	Note on Option Valuation– Chako
Th April 18 FC	Option Strategies in Portfolio Management: Writing Calls
<b>Learning Objectives</b>	Writing Calls to Enhance Income and Support Dividend Payout

<b>Readings</b>	Galaxy Dividend Income Growth Fund's Option Investment Strategy
T April 23 FC	Portfolio Immunization in Asset Management
<b>Learning Objectives</b>	Shorting vs. Buying Puts to Immunize
<b>Readings</b>	Pine Street Capital
Th April 25 FC	Futures Pricing and Curves / Analyze Your Futures Holdings
<b>Learning Objectives</b>	Commodity Futures Pricing Models, Causes of Backwardation Futures Curves in Bloomberg; Your Futures Payoffs
<b>Readings</b>	Note on Commodity Futures – Donahue et al.
T April 30 FC	Betting on Commodities Using Futures
<b>Learning Objectives</b>	Physical vs. Futures Based Gold ETF; roll yield and invested cash
<b>Readings</b>	Betting on Gold Using a Futures-Based Gold ETF – Matos
Th May 2	Test 2 (40% multiple choice; 60% problem solving & analysis)
<b>To Do</b>	<b>Test 2</b>
<b>Bring</b>	Pencil, Financial Calculator, 1-page, 1-side handwritten notes
T May 7 FC	Final Paper Data Analysis
<b>Learning Objectives</b>	Review Final Paper Requirements Learn to export and analyze your stock portfolio / use Bloomberg
Th May 9 FC	Final Paper Data Analysis (continued)
<b>Learning Objectives</b>	Learn to export and analyze your two hedge funds / use Bloomberg
W May 15 FC	Final Paper Due Date
<b>Due</b>	Final Group Portfolio Paper, 4 pm, Department of Finance
<b>Due</b>	Final Peer Evaluations (Individual) due, 5pm

Deviations from the above schedule will be announced in class and / or posted on canvas.