

Summer Semester 2018
FINC 553, Section 101, Applied Portfolio Management
Loyola University Chicago, Quinlan School of Business Graduate Program
Monday 6:00 – 9:00 pm
Water Tower Campus, Schreiber Center, Room 406

Instructor:	Professor Jeffrey Bierman, CMT
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Office Hours:	By Appointment Only

Course Overview:

Course Description:

This is an advanced course in investment analysis and portfolio management. This course is designed to teach students the essential methodologies behind investment analysis and how to apply them to the active practice of portfolio management. Students will cover a broad range of topics which include investment industry framework, investment philosophy, objectives and policy, styles of investing, portfolio design, risk-return analysis, performance attribution and decomposition, micro- and macro-market-industry analysis, equity valuation and fundamental stock analysis, technical analysis, equity portfolio management, fundamentals of fixed income, and fixed income portfolio management. This course will effectively parallel subject matter tested in the Chartered Financial Analyst (CFA) exams.

Course Objectives:

Upon conclusion of this course students are expected to:

1. Create an investment policy statement
2. Integrate asset allocation and strategic objectives into portfolio design
3. Conduct macroeconomic (top down) and industry (bottom up) analysis as it pertains to portfolio construction
4. Price the common stock of a publicly traded US company using DCF and relative value techniques
5. Identify and assess the key drivers behind a stock's valuation
6. Understand the fundamental & technical analysis tools contributing to the design and management of an active equity portfolio
7. Evaluate different debt securities which include zero-coupon, debentures, asset-backed, callable and hybrid bonds
8. Understand the fundamentals contributing to the design and management of an active fixed-income portfolio
9. Perform in-depth portfolio analysis which includes gauging risk/reward, benchmarking, performance attribution & decomposition

Instructional Format:

The teaching style of this course is more interactive-driven and student-dependent than you are likely to be accustomed. In other words, rather than the normal teacher-active/student-passive learning structure, students are expected to take on an independent and active role within a forum-based discussion environment with your peers and your professor, wherein the professor acts as both educator and moderator. The general idea behind this learning methodology is to promote critical-thinking as investment analysis and portfolio management are an applied science. Students must come prepared and stay current with the course material. Class will begin with a recap of the previous lecture and a general discussion. There will be a 10-minute break between 7:00 pm and 8 pm.

Course Requirements & Protocol:

Required Materials:

Investments, 10th edition, by Bodie, Kane & Marcus, McGraw-Hill Publishers. The text is available at the University Bookstore or through McGraw-Hill Publishers.

Technical Analysis from A to Z, 2nd edition, by Steven B. Achelis, McGraw-Hill Publishers. The text is available at the University Bookstore or through McGraw-Hill Publishers.

You will also need a dedicated financial calculator to help you compute a set of key mathematical formulas for your paper assignments. Calculator functions on smartphones, laptops or tablets will not be permitted for use during exams. Any calculator able to handle exponents should be sufficient such as a Hewlett-Packard 12C or a Texas Instruments BA-II Plus.

Academic Prerequisites:

Students must have completed FINC 452 (Investment Management), its course equivalent, or have the instructor's permission before enrolling in this course. In addition to the prerequisites described above, students are expected to have a basic level of proficiency in algebra, graphs, mathematical functions, probabilities and statistics. You are also assumed to have a proficient knowledge of investment products, theories and analysis, as well as capital markets and financial metrics.

Class Attendance & Participation:

You are required to arrive on time, attend the class in its entirety, and expected and encouraged to engage in class discussions. Active participation makes the class not only fun, stimulating and enriching, it aids materially in the learning process. Regular attendance is required but not sufficient to earn a high score for the attendance and participation criterion component of grading. What is critical is how engaged a student is during class discussion. Students earning the highest scores in attendance and participation are those who are actively involved in class discussions and are prepared with both their questions and answers. Tablets, computer laptops and other similar electronic devices are permitted during regular class time only insofar as they are to be used as a supplemental education tool (e.g. taking lecture notes).

Reading Assignments:

You are encouraged to complete all reading assignments. The level of applied finance covered in this course is advanced and as such will at times necessitate supplemental reading regardless of your investment experience and aptitude. You may choose to work with a peer or group of peers to support your understanding of the subject matter; however, each student must apply independent initiative when it comes to his/her individual assignments. Following each lecture, I will post an announcement related to the class on Sakai. Each bulletin will include information about reading assignments, paper assignments and/or group presentations.

Paper Assignments:

Two mid-term paper assignments and one comprehensive final paper assignment are required. The mid-term paper assignments will be individual-based and structured in the form of short essay questions and mathematical problem-solving. By contrast, the final paper will be group-based and drafted in an institutional prospectus format. You are required to submit each paper assignment at the pre-designated scheduled times. Only under legitimate medical or emergency-based circumstances will special provisions be granted for the individual paper assignments on an ad-hoc basis. If you miss either of them, the weight on your grade score will automatically be added onto the weight of your final paper on a pro-rated scale. The final paper is expected to be both comprehensive and of elite quality. Submission of a late final paper will only be honored under emergency or extenuating circumstances, or such an arrangement must be made before the scheduled final class. Please consult the Quinlan School of Business Examination Policy for the full list of the circumstances and provisions regarding late work.

Group Presentations:

Students are required to assemble into groups of 3 individuals. Your group is to be assembled based on your personal volition. Group presentations are scheduled for the final day of class. Each group presentation time slot will be determined the week (Week 10) before the final day of class (Week 11). Groups will be assessed on their ability to convey information in a clear, concise, cohesive and valued-added format. Groups will also be graded on their methods of engaging with the audience (i.e. responding to questions from the audience in terms of both style and answer content). Moreover, organization and presentation of portfolio analysis (i.e. identification of investment policy, portfolio design, fundamental drivers, key metrics and strategic recommendations) will be key factors in the presentation grades. PowerPoint slides are strongly recommended. You should prepare your presentation to last no longer than 15 minutes; however, beware that your total discourse time may last longer depending on the number of questions posed by your audience which includes myself.

Grading System:

Grading Criteria:

The course grade will be based upon the following criteria listed below:

Attendance & Participation	10%
Individual Assignment #1	20%
Individual Assignment #2	20%
<u>Group Presentation & Paper</u>	<u>50%</u>
Weighted Total	100%

Course Grading Scale:

A+	100%
A	93 – 99%
A-	90 – 92%
B+	87 – 89%
B	83 – 86%
B-	80 – 82%
C+	77 – 79%
C	73 – 76%
C-	70 – 72%
D	60 – 69%
F	Sub-60%

Quinlan School of Business Policies:

Attendance/Participation:

Class attendance and participation are fundamental components of learning, therefore punctual attendance at all classes for the full meeting period is expected of Quinlan students. Faculty may set policies unique to their courses and use class participation as a criterion of the final grade. Each student is responsible for any assignments or requirements missed during an absence.

Make-Up Assignments/Presentations:

Loyola University Chicago academic policy provides that assignments and presentations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Quinlan faculty believe assignments and presentations represent a critical facet of the student learning evaluation process. As such, they are required to be taken during the regularly scheduled class period. Make-up assignments and presentations are effectively discouraged. Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (e.g. illness verified by a signed physician’s note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up assignment and final presentation may be scheduled only with the permission of the appropriate Quinlan faculty administrator or Associate Dean.

If a make-up assignment and/or final presentation are determined to be administered, it is the responsibility of the faculty member to prepare, schedule and proctor them. The only approved exception is for a student-athlete who may use the testing services of the Athletic Department to complete a make-up assignment and/or presentation. For a student with a documented special testing need, please consult Loyola University Chicago policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

Academic Integrity:

All students in this course are bound by the Quinlan School of Business Honor Code. Summarily, all members of the Quinlan School of Business shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, misappropriation, fabrication and falsehood. Plagiarism or cheating on the part of the student, whether practiced individually or within group academic work, during regular class period, non-class period or examination hours, will result minimally in the instructor assigning the grade of “F” for the assignment or presentation. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website: <http://www.luc.edu/quinlanschoolofbusiness/pdfs/Honor-Code-Quinlan-July2012.pdf>.

Tentative Course Calendar Schedule Summer 2018:

Week/Date	Topics	Reading Assignment	Paper Assignment Due
W1/Monday, May 21 st	Mutual Funds vs. Hedge Funds: Styles, Strategies & Structure	BKM Chapters 4 & 26	
W2/Monday, May 28 th	Memorial Day Holiday		
W3/Monday, June 4 th	Investment Policy & Portfolio Management Framework	BKM Chapters 28	
W4/Monday, June 11 th	Asset Allocation, Diversification & Risk Management	BKM Chapters 6 & 7	
W5/Monday, June 18 th	Marco-Economic & Industry Analysis	BKM Chapter 17	Q&A Assignment #1 Due
W6/Monday, June 25 th	Financial Statement Analysis	BKM Chapter 19	
W7/Monday, July 2 nd	Behavioral Finance, Technical Analysis & Stock Selection Process	BKM Chapter 12 SBA Multiple Chapters	
W8/Monday, July 9 th	Equity Valuation Models & Metrics	BKM Chapter 18	
W9/Monday, July 16 th	Active Portfolio Management Theory	BKM Chapter 27	Q&A Assignment #2 Due
W10/Monday, July 23 rd	Portfolio Performance Evaluation Measures & Techniques	BKM Chapter 24	
W11/Monday, July 30 th	Group Equity Portfolio Presentations		Final Paper Assignment Due Group Presentation Due