



# FIN 377.1 Portfolio Analysis and Management

## Spring 2016 Syllabus

*This Syllabus is your guide to success so please read it carefully and completely.*

Successful completion of the Portfolio Analysis and Management course provides students with comprehensive knowledge of the subject and a set of tools designed to assist them in the investment decision-making process at the portfolio manager level. The prerequisite of FIN 367, Investment Management, is required as the consistent application of knowledge gained in this course will be necessary to complete the assigned case, homework problems, as well as adequately comprehend the assigned readings.

Instructor: Gregory A. Alves | Greg.Alves@mcombs.utexas.edu

Required Text: Running Money: Professional Portfolio Management, by Stewart, Heisler & Piros McGraw Hill, 2011

Optional Text: Managing Investment Portfolios, by Maginn, Tuttle, McLeavey, Pinto, John Wiley & Sons, Inc., 2007

Required Hardware: Notebook with Excel Installed, HP 10bII+ Calculator for Final

Office: GSB 4.126G

Office Hour: M 9:30 – 10:30 PM

Course Room & Time: GSB 5.142A MW 8:00 to 9:30 AM

### Grading & Reporting

| Assignment          | Percent | Responsibility | Assessed by         |
|---------------------|---------|----------------|---------------------|
| Cases               | 40%     | Team           | Instructor          |
| Homework            | 20%     | Student        | Instructor          |
| Class Participation | 10%     | Student        | Instructor          |
| Team Assessment     | 10%     | Student        | Fellow Team Members |
| Final Exam          | 20%     | Student        | Instructor          |

- +/- Grading: Letter grades A, A-, B+, B, B-, C+, C, C-, D+, D, D- or F
- No credit beyond the above graded assignments is allocated during or after the end of the semester
- Incompletes may be granted at my discretion and in accordance with the *General Information Catalog* found here: <http://registrar.utexas.edu/catalogs>

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### Schedule

Green = Topic | Blue = Assignment | Red = Assignment Due

| Week                   | Monday  | Wednesday   |
|------------------------|---|---|
| 01<br>Jan 18, 20       | Break   | Topic: Introduction<br>Read for Week 2: CH 1, 2<br>Assign: Homework 1: CH2_EO<br><b>1st Deliverable</b>   |
| 02<br>Jan 25, 27       | Topic: Client Objectives & Descriptions of Security Behavior  | Topic: Client Objectives & Introduction to AA<br>Due: Homework 1<br>Read for Week 3, 4: CH 3 & all appendices<br>Assign: Homework 2: CH3_EO, CH3_P7, P8, P9, P10<br>FTTC LAB: Intro to Portfolio Optimization |
| 03<br>Feb 1, 3         | Topic: Asset Allocation Objectives<br>Due: Minutes (Minutes Review)<br>Workshop (Portfolio Optimization)  | Topic: Asset Allocation Constraints<br>Workshop (Portfolio Optimization)  |
| 04<br>Feb 8, 10        | Topic: Asset Allocation with Liability Requirements   | Topic: Asset Allocation<br>Due: Homework 2<br>Read for Week 5: CH 4<br>Assign: Homework 3: CH4_EO   |
| 05<br>Feb 15, 17       | Topic: Asset Allocation Inputs<br>Due: Minutes<br>FTTC LAB: James Stein & Implied Views   | Topic: Asset Allocation Inputs<br>Due: Homework 3<br>Read for Week 6: CH 5 no appendices<br>Assign: Homework 4: CH5_EO<br>(only 1st three outboxes)   |
| 06<br>Feb 22, 24       | Topic: Advanced Topics in Asset Allocation<br>Due: <b>***1st Deliverable***</b><br>Workshop (Incorporating Shortfall)<br>Assign: <b>2nd Deliverable</b> | Topic: Advanced Topics in Asset Allocation<br>Due: Homework 4<br>Read for Week 7: CH 6<br>Assign: Homework 5: CH6_EO  |
| 07<br>Feb 29,<br>Mar 2 | Topic: The Investment Management Process<br>Due: Minutes<br>FTTC LAB: Signal Identification & Investment Execution                                      | Topic: The Investment Management Process<br>Due: Homework 5<br>Read for Week 8: CH 7<br>Assign: Homework 6: CH7_EO, CH7_P6, P7  |

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### Schedule (continued)

Green = Topic | Blue = Assignment | Red = Assignment Due

| Week  | Monday  | Wednesday  |
|---|---|--|
| 08<br>Mar 7, 9  | Topic: Equity Portfolio Investing   | Topic: Equity Portfolio Investing<br>Due: Homework 6: Minutes (Minutes Review)<br>Read for Week 10: CH 8<br>Assign: Homework 7: CH8_EO |
| 09  | *** SPRING BREAK ***  |  |
| 10<br>Mar 21, 23                                      | Topic: Equity Portfolio Construction<br>FTTC LAB: Create a Passive & Active S&P500 Index Portfolio                          | Topic: Equity Portfolio Construction<br>Due: Homework 7<br>Read for Week 11 & 12: CH 9<br>Assign: Homework 8: CH9_EO                   |
| 11<br>Mar 28, 30                                      | Topic: Fixed-Income Management<br>Due: ***2nd Deliverable***<br>Assign: 3rd Deliverable                                     | Topic: Fixed-Income Management   |
| 12<br>Apr 4, 6  | Topic: Fixed-Income Management<br>Due: Minutes<br>FTTC LAB: Minimize CF Dispersion in an Immunized Bond Portfolio           | Topic: Fixed-Income Management<br>Due: Homework 8 (Minutes Review)<br>Read for Week 13: CH 11<br>Assign: Homework 9: CH11_EO           |
| 13<br>Apr 11, 13                                      | Topic: Alternative Investment Classes<br>Workshop (Margin, Realistic Short Selling in an Optimal Portfolio, Market Neutral) | Topic: Alternative Investment Classes<br>Due: Homework 9<br>Read for Week 14: CH 12<br>Assign: Homework 10: CH12_EO                    |
| 14<br>Apr 18, 20                                      | Topic: Portfolio Management through Time<br>Due: Minutes<br>FTTC LAB: Examine Mean Variance Portfolio Methods In Time       | Topic: Portfolio Management through Time<br>Due: Homework 10<br>Read for Week 15: CH 13<br>Assign: Homework 11: CH13_EO                |
| 15<br>Apr 25, 27                                      | Topic: Performance Measurement  | Topic: Performance Measurement<br>Due: Homework 11<br>Read for Week 16: CH 14  |
| 16<br>May 2, 4  | Topic: Incentives, Ethics, and Policy<br>Due: ***3rd Deliverable Due***   | Topic: Review Final<br>Due: Team Assessment  |
| Final Examination Date: Tuesday, May 17, 2:00-5:00 pm |   |  |

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### Homework

Listed in this syllabus are a number of homework assignments designed to demonstrate your reading comprehension and give you the opportunity to practice your newly acquired knowledge. Completion of these homework assignments will also assist you in the case deliverables discussed in the next section. Homework will consist primarily of the *Excel Outboxes* and occasionally some end of the chapter problems. For example, [CH1\\_P5](#), [CH2\\_EO](#), [CH2\\_PALL](#) is interpreted as chapter 1 problem 5, chapter 2 Excel Outboxes and all chapter 2 problems, i.e., CH for chapter, P for problems where ALL is all problems at the end of the chapter. NOTE WHERE EXCEL OUTBOXES ARE ASSIGNED (EO), YOU MUST COMPLETE ALL OUTBOXES IN THE CHAPTER INCLUDING ANY IN THE CHAPTER'S APPENDIX IF THEY EXIST EXCEPT WHERE NOTED. While it may be possible to acquire the answers to these problem sets, I require that you attempt your best individual effort to complete these problems on your own so that I may identify where, not only you as an individual is having difficulty, but possibly the class in general. In that way, I am able to revisit a subject and reinforce your understanding of the material. Your name, homework assignment number, and date will already be included in any Excel Outbox homework provided to you. For written problem assignments, a textbox will be numbered and located in the file for you to respond. **Homework is due at the start of class on the date due. I will not accept late homework** except in those cases described under the "Religious Holy Days" section of this syllabus. Most of the assignments require completion of the chapter's Excel Outboxes. You must complete the Outboxes using a predesigned template, **which I will provide to you via e-mail on the assignment date.** Do not use the templates available in the Online Learning Center of the McGraw-Hill website ([www.mhhe.com/sph1e](http://www.mhhe.com/sph1e)). All areas of the template will be protected except those that require your input. On those assignments where Solver is required, I will provide you with a password to unprotect the sheet. The file will also have a unique name. **DO NOT CHANGE THE FILE NAME.** Once completed, please attach your file and email to [Greg.Alves@mcombs.utexas.edu](mailto:Greg.Alves@mcombs.utexas.edu). Any files sent must reach me at or before the start time of class on the date homework is due. If your work is not complete by the due date, please send

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me what you have completed in order to obtain at least partial credit for those answers you may have completed correctly. Homework received late or not at all will receive a score of zero.

### Case Deliverables

Page 519 of the required textbook under the heading, "Sample Cases," contains information about the case deliverables. The class will be broken up into groups. I will assign individuals randomly to each group. Once groups are established, they will remain in place until the end of the semester. Each group will be responsible for the John M. case deliverables outlined in the textbook. Your deliverables must follow at a minimum each outline for each deliverable including the required number of pages in the textbook. Use the outline headings and subheadings in your paper so that I may clearly identify your response to a given problem.

**Note: I reserve the right to add, change, or modify the textbook instructions and outline to the case problem.** If I do so, I will give you advanced notice of such changes. You may include charts and tables within your text or include as an appendix. All charts and tables must be labeled clearly, i.e., Table 1, Figure 1, etc. and referenced within the text. Deliver all submissions with 1-inch margins all around, 12-point font type, and single-spacing. Please use some form of binding that allows for easy reading and will not result in shuffled or lost pages. A number of the problems require large amounts of data and a series of steps to complete. For such instances, you must provide the summary output in your paper and deliver separately a spreadsheet containing your calculations via email so that I may confirm your work. Label the problems in your spreadsheet to correspond to the output in your paper for proper assessment and grading. Note: All summary data in the spreadsheet must be included in your paper as a table, figure or chart for grading purposes. You may place these items in an appendix as long as referenced within your paper. You do not need to include the raw data from which you made your summary calculations in your paper only in your spreadsheet.

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A late deliverable submission by the group will not be accepted and will receive an F letter grade. If an individual within the group qualifies for a “Religious Holy Days” exemption, he or she must follow the notification procedures described herein so that accommodations can be made to assure the group is able to complete the submission on the date due. You will submit a letter grade in accordance with the grading system listed in this syllabus for each of your fellow team members. Your submission will remain confidential. In rare cases where a team member is not performing to an acceptable standard, the group must notify the instructor well in advance of the due date so that the instructor can address the problem before it negatively affects the remaining members. If necessary, the instructor may remove a member and thus require the individual to submit the required deliverables on his or her own.

### Meeting Minutes

For the purposes of organization and accountability, each group will be provided with a meeting minutes template to reflect each member’s individual responsibility to the group for the case deliverables described in the section above. Each member in attendance at a group meeting will sign the document, which will then be scanned and emailed to [Greg.Alves@mcombs.utexas.edu](mailto:Greg.Alves@mcombs.utexas.edu) on the dates due (labeled in the schedule above as “Minutes”). The first of each group meeting prior to a deliverable must contain a listing of each group member’s responsibility. The final grade of your deliverable score will be reduced by at least 10% or more if you fail to fulfill the meeting requirements. Thus, while the completed minutes document is not graded separately, it will negatively impact your final deliverable grade if not completed properly.

Providing these minutes will assist me in the grading process for the deliverable. Generally, the deliverable grade will be applied equally to all members. However, if it becomes evident that a group member has not contributed in a manner consistent with the other members, a reduced or failing deliverable grade, depending on the circumstances, will be assigned to that member. Each member of the group is required to be in attendance for each meeting and a signature

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page is provided in the template to confirm. Thus, if you are a hardworking and motivated student, it is in your interest to make sure the minutes template identifies your areas of contribution accurately. Do not lose sight of the purpose of the minutes. This is where you document and share what you have learned about the case and solutions to those problems. Groups in the past that have exhibited a true accounting of minutes tend to perform well on the case.

Finally, you will note under the schedule above an occasional listing of “minutes review.” I will randomly inquire on specific points addressed in your meetings in order to inspire discussion of the assigned case deliverable. Thus, it is important that you are well versed in your area of responsibility and well prepared to present your thoughts to the class. I am looking for preparation and a reflection of the degree of effort based on your ability to respond.

### FTTC LAB

You will note on the schedule a number of class periods with the label,  FTTC Lab. FTTC stands for the *Financial Trading & Technology Center*. The center is located at GSB 3.120. Thus, you will meet in this classroom on those days. I will provide you with an Excel file in advance via email. I will lecture and provide you with detailed step by step instruction on how to solve some of the complex portfolio and security analysis problems you will be faced with in your homework and case deliverables. You will complete the steps I show you in real time via the computers that are provided in the laboratory.

### Workshop

A few class periods on the schedule contains a label, *workshop*, along with parenthesis containing the general subject of the workshop. During workshop, we will apply some of the tools we learned in class. The workshop is conducted in a manner consistent with the FTTC lab presentation days discussed above, however, it will be in our regular classroom and give students the chance to get directly involved. In many cases, I will randomly select a student to

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come to the computer or whiteboard and tackle a problem or two. It should be fun and provide students with the opportunity to get involved and learn by doing. You will be asked to follow along with your own notebook computers. In some cases, I may provide you with a file in advance.

### CFA Society of Austin

If you will be pursuing a career in the investment management industry, I would ask that you consider the student membership opportunity provided by the CFA Society of Austin. I am a member of the Society myself and have benefited greatly from the experience. Membership also reflects your commitment to the field and an acknowledgement of your pledge to uphold the highest level of ethical standards in the industry. You can review details regarding student membership on their website. A factsheet lists the opportunity in some detail at the following web address <http://www.cfaaustin.org/student-membership-fact-sheet/>. A student application form can be found at the following link:

<http://www.cfaaustin.org/wp-content/uploads/2013/02/CFA-Austin-Student-Membership-Application.docx>

### Attendance

There is a high likelihood of the application of a grading curve on the final. This will be determined at my discretion. A student that misses more than three classes will not be eligible for any applied curve. Further, if a student enjoyed application of a curve on an earlier examination, but subsequently fails to show up to class more than three times, they will forfeit any previously assigned curves and their grade will be returned to the original value. A signature page will be issued at the start of each class to confirm attendance. Attendance is required and exceptions are granted only in those cases where the individual follows the guidelines for "Religious Holy Days." **Please review this schedule carefully as you are**

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committing to these dates and times. It will be your responsibility to accommodate once the semester begins.

### Religious Holy Days

University of Texas at Austin policy requires that 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, I will give you the 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://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. 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 Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

### Campus Safety

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Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform their instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at [www.utexas.edu/emergency](http://www.utexas.edu/emergency).

### 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://www.utexas.edu/diversity/ddce/ssd/>.