Course Syllabus

Portfolio Management – Fin 434 (3 credit hours)
Fall 2015
Mabee Business Building Room 116 --- 9:30-10:50 am Tuesday/Thursday
Prerequisite: Financial Management (Fin 310) with a grade of at least C

Instructor: Terry Pope, Ph.D., CFA – Professor of Finance
Mabee Business Building Room 175, 674-2570
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Office hours: Monday & Wednesday 8:00 am – 4:00 pm. I will be in the office at various other times and you are always welcome.

Mission Statements:

The mission of Abilene Christian University is to educate students for Christian service and leadership throughout the world. This mission is achieved through:

- Exemplary teaching, offered by a faculty of Christian scholars, that inspires a commitment to learning;
- Significant research, grounded in the university's disciplines of study, that informs issues of importance to the academy, church, and society;
- Meaningful service to society, the academic disciplines, the university, and the church, expressed in various ways, by all segments of the Abilene Christian University community.

The mission of the College of Business Administration is to glorify God by creating a distinctively Christian environment in which excellent teaching, combined with scholarship, promotes the intellectual, personal, and spiritual growth of business students, and educates them for Christian service and leadership throughout the world.

Unique Christian Perspective:

High ethical and moral standards are at the bedrock of the financial world. Successful financial markets must assume integrity on the part of its many participants. Trust between counterparties enables trades in the various financial marketplaces. My favorite way to think about trust references the scripture in Daniel 6:4:

> "At this, the administrators and the satraps tried to find grounds for charges against Daniel in his conduct of government affairs, but they were unable to do so. They could find no corruption in him, because he was <u>trustworthy</u> and neither <u>corrupt</u> nor <u>negligent</u>."

The news is periodically headlined by people in the financial world accused of wrongdoing that they knew was wrong, operating on the hope that they would not be caught. They were corrupt. Less newsworthy but equally damaging to society are those that err due to negligence. This poses a considerable challenge for all of us. We must be aware that our negligence hurts someone, maybe to a large degree.

Other relevant scriptures are:

- "I know, my God, that you test the heart and are pleased with integrity."
  -- 1 Chronicles 29:17
- "The integrity of the upright guides them, but the unfaithful are destroyed by their duplicity."
  -- Proverbs 11:3
- "The man of integrity walks securely, but he who takes crooked paths will be found out."
  -- Proverbs 10:9

Course Content:

Each student will use valuation techniques to select common stocks to comprise a portfolio. The performance of each portfolio will be compared to that of other students and to a benchmark. Each student will make five presentations to the class regarding their portfolio's composition and performance. Collectively, the students will function as an Investment Committee in managing a class portfolio.

This course will be good for students that wish to pursue a career in money management, such as with a mutual fund firm, a bank trust department or a personal financial planning organization. Given the prevalence of self-managed retirement plans in today's world, many students could benefit from this course. While the course it intended primarily for Financial Management majors, others are welcome and no prior knowledge beyond what is attained in the prerequisite course is assumed.

Format:

Class periods early in the semester are devoted to lectures and demonstrations by the professor. During this time, topics will include:

- Stock valuation methods
- Portfolio composition
- Financial statements
- Stock market participants
- Morningstar Direct software

As the semester progresses, most class periods comprise presentations by one or more students. During these presentations, a student reviews a stock that is included in their portfolio and recommends that the Investment Committee (all students) include the stock in the class portfolio.

After the presentations, the following occurs:

- Professor discusses related financial issues. Often learning is best when theoretical topics are discussed in the context of real data. Since all companies are different, every presentation provides a unique opportunity to connect theory and practice.
- Professor and class provide feedback to the presenter regarding potential enhancements.
- Class decides whether to include the recommended stocks in the class portfolio.

Materials:

No textbook is required. The textbook used in Financial Management is useful for reference. Data necessary to support investment choices is widely available on the internet. You have access to two commercial investment advisory services:

- Morningstar – subscription paid by the COBA
- Valueline – available online through the Abilene Public Library

The management of your portfolio will occur within Morningstar Direct. This is both desktop and internet based software that provides very sophisticated tools for portfolio management. Proficiency with this software will enhance your entry into the job market.

Presentations require the use software, such as Microsoft PowerPoint, Apple Keynote, or Google Slides.

OpenClass is used as the Course Management System. Within OpenClass, you will find various information pertaining to the course, including useful web links, stock market history, a schedule of presentations, and the grade book.

While not required, you will find it useful to bring a laptop or iPad to class. Significant class time is devoted to reviewing market data. These devices facilitate your data review being independent of that pursued by other students.

Learning Objectives/Competencies:

Competency	Measurement Instrument
Students will be able to use financial statements to produce ratios that are commonly used to value common stocks.	Exams and oral presentations
Students will be able to assemble and manage a portfolio of common stocks, with the portfolio's performance compared to a market benchmark.	Morningstar Direct's portfolio management facility
Students will be able to prepare and present investment recommendations to the Investment Committee in a professional, effective and convincing manner.	Oral presentations
Students will be able to write short reports regarding the performance of their portfolio that would be suitable to send to a client.	Weekly written reports
Students will be able to participate in and influence the outcome of group decisions.	Daily meetings of the Investment Committee

Grading Criteria:

Oral Presentations	25%
Weekly Reports	25%
Portfolio Performance	25%
Exams	25%
Average	**Grade**
90-100	A
80-89	B
70-79	C
60-69	D
Below 60	F

The Portfolio Performance portion of your grade will be determined as follows:

Performance	Grade
Match benchmark	95
Exceed benchmark	+2 points per 50 basis points
Trail benchmark	-2 points per 50 basis points
Rank 1	+10 points
Rank 2	+ 8 points
Rank 3	+5 points

Bonus: Each student will be awarded 2 points to their Portfolio Performance for each 50 basis points that the Class Portfolio exceeds the benchmark.

The benchmark used for all portfolios will be the Morningstar US Market Total Return Index.

Exams: There will be two exams. The first exam will be on January 29 and the second on May 5.

Portfolio: By Friday, February 6, you will construct a portfolio comprising at least ten long positions in the common stock of individual companies using Morningstar Direct's portfolio management facility. The performance of your portfolio will be monitored during the period February 8 through April 30. At all times, your portfolio must comprise at least ten stocks. When shares are purchased, the purchase price will be the closing price on the previous trading day. This is the default price in Morningstar Direct. No shares having a price less than $5.00/share may be purchased. No position, including cash, may represent more than 20% of your portfolio.

Reports: Each Tuesday, starting February 17, a one-page single-spaced document regarding the performance of your portfolio during the previous week will be due. An example report will be provided before the first assignment is due. Your grade on a report will be determined by the quality of writing and the accuracy and relevancy of any numbers. Your goal is to effectively communicate with a client regarding your performance in managing their funds.

Presentations: Beginning Tuesday, February 17, students will make a presentation regarding one of the stocks held in their portfolio. A schedule will be provided showing