Course Syllabus

Student Managed Investment Fund – Fin 439 (3 credit hours)
Fall 2015
Mabee Business Building Room 116 --- 12:00-1:20 pm 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, (325) 674-2570
popet@acu.edu
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 trustworthy and neither corrupt nor negligent."

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:

This course comprises a group of students that are responsible for managing a portion of the university's endowment. Specifically, they are responsible for constructing and monitoring a portfolio of long positions in common stocks. This portfolio is referred to as the Student Managed Investment Fund and uses the brand name STAR (Student Trading and Research).

Topics to be discussed during the semester include:

- Portfolio construction, including asset allocation and stock selection.
- Research sources and methods.
- Macro-economic impact on financial markets.
- Portfolio performance attribution.
- Effective presentation of research results.

Most students in the course are Financial Management majors, but anyone that has met the prerequisite may participate. In the past, we have had both business and non-business students. The course is of particular value to a student wishing to pursue a career in money management. Few university courses provide the real world experience that this course offers.

Format:

Class periods early in the semester are devoted to the students becoming familiar with the composition of the portfolio and reviewing its past performance. The portfolio is built around the eleven sectors delineating the stock market, as defined by Morningstar, a leading financial services firm. Fund performance is measured against a benchmark called the Morningstar US Market Total Return Index.

As the semester progresses, each class period will be devoted to a discussion of one of the sectors. For example, energy, health care, financial services and technology are some of the eleven sectors. One or two students are responsible for each sector, meaning they propose investment ideas, lead the class discussion, and ultimately call for a vote to make a decision regarding the proposed action. Often, one or more students will be asked to make an oral presentation regarding an investment idea.

The students have complete authority regarding investment decisions. The professor does not vote. The professor does reserve the right to deny any proposed action that he deems to be an unsuitable investment for the university. Once a proposed action receives a positive vote by the students, the professor executes the trades using a brokerage firm.

At the end of each calendar quarter, the fund submits a written performance report to the university's Investment Management Company. During the first meeting each year of the university's Board of Trustees, the fund will make a written and oral report to the Investment

Committee of the Board.

Periodically, guests from the investment profession will be invited to visit the fund to discuss career opportunities.

Materials:

No textbook is required. Textbooks used in other Financial Management or Accounting courses are useful for reference. Data necessary to support investment choices is widely available on the internet. The fund has access to two commercial investment advisory services:

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

Portfolio management occurs 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 a student's entry into the job market.

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

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

The professor's workstation in the classroom is used to present information that the entire class needs to view.

Learning Objectives/Competencies:

Competency	Measurement Instrument
Students will be able to think analytically and critically to identify attractive investment ideas.	Performance reports regarding their investment recommendations.
Students will understand the impact that asset allocation and stock selection have on portfolio performance.	The Performance Attribution module of Morningstar Direct.
Students will understand how macro-economic forces impact stock market performance.	Daily discussion.
Students will develop their ability to make oral presentations, lead discussions and build consensus regarding their investment ideas.	Oral presentations and group discussion on days for which they have an assigned leadership role.
Student will become certified in the use of the Morningstar Direct system.	Exams administered by the Morningstar Corporation.

Grading Criteria:

Sector Leadership	25%
Portfolio Performance	25%
Morningstar Direct Certification	50%
Average	**Grade**
90-100	A
80-89	B
70-79	C
60-69	D
Below 60	F

The Portfolio Performance portion of the grade will be determined by how well the portfolio performs in comparison with the benchmark:

Performance	**Grade**
Match benchmark	95
Exceed benchmark	+2 points per 50 basis points
Trail benchmark	-2 points per 50 basis points

University Policies

The university has policies in place to ensure that the needs of all participants in our community are well served. If interested, you may explore the following three links for greater detail on specific issues.

Special Needs Policy
Academic Integrity Policy
Title IX Policy

Course Policies:

Attendance: Students will be expected to be present at every class meeting, approaching this course as if it were their first job. Two unexcused absences will be allowed. Any unexcused absence thereafter may result in the student being dropped from the course. For an absence to be considered excused, the student must obtain permission from the professor prior to the class meeting to be missed. To be considered present, the student must be on time.