Syllabus

Information about the course is available at:

[http://www.kellogg.northwestern.edu/faculty/korajczy/courses.htm](http://www.kellogg.northwestern.edu/faculty/korajczy/courses.htm)

and at the course Blackboard site with the title "Kellogg Asset Management Practicum." On the Blackboard site I will post reading assignments (under “Assignments”) some required and optional readings and informational links (under “Course Documents”), and miscellaneous information (under “Announcements,” “Course Information,” or “Staff Information”).

Office hours: by appointment. If you would like to set up an appointment, please contact my assistant, Ms. Deborah Brauer at d-brauer@kellogg.northwestern.edu or 847-491-2752.

Teaching Assistants: The course teaching assistant is Fritz Burkhardt, f-burkhardt@kellogg.northwestern.edu. He is available to help you with data issues.

AMP IV (936C) is the last of a four-quarter sequence in asset management. The focus of this course is to give the students both a theoretical foundations and practical experience in the management of investment portfolios. Students in the Asset Management Practicum are responsible for managing a portion of the University’s endowment portfolio. The equity portion of the fund will follow a value investing strategy based on the fundamental security analyses of students in the class. The fund will allow short positions as well as long positions. The fund will also allow the use of quantitative and derivative strategies as an overlay to the fundamental analyses. We may be able to add a hedge fund component over the course of the year.

While some classes will consist of lectures by the instructor, others will be lectures by visiting practitioners and presentations of analyses by students in the class. In fact, the primary component of the course will be student presentations of stock analyses, research reports, and reviews of fund performance.

Students will also report evaluations of the fund’s performance to a board of advisors for the Asset Management Practicum no less than on a quarterly basis. The board consists of the instructors, a representative of the Northwestern University Investment Office, and prominent practitioners. Most advisory board members have made substantial donations to the Asset Management fund.
Prerequisites: FINC 935C/935 Asset Management Practicum III.

Course Structure:

AMP I and AMP IV will meet together. Students in Asset Management Practicum I will focus on developing fundamental security analyses. Students in Asset Management Practicum IV are responsible for managing the positions of the fund, given the analyses of the students in Asset Management Practicum I.

Students in AMP I will be assigned the role of an equity analyst. They will provide valuation analyses and long and short position recommendations. Students will rotate into different positions in future quarters in AMP II and AMP III.

Students in AMP IV will serve as the investment committee for the portfolios. Currently, there are four portfolios of differing sizes and slightly different investment philosophies. In addition to their duties on the investment committee, students will specialize in one of several areas: risk evaluation and performance reporting; trading strategies; derivatives strategies; quantitative strategies; asset allocation strategies.

The investment committee members are responsible for decisions about the positions taken in the portfolio, based on the analyses provided by the various analysts. Investment committee members will also assist in evaluating analyst recommendations. Additionally, investment committee members may present equity analyses of their own.

Members involved in risk evaluation and performance reporting will monitor the portfolio to insure that the portfolio meets its investment guidelines and risk parameters, monitor and report portfolio performance to the class and advisory board, and monitor analyst performance.

Traders are responsible for determining the optimal trading strategies in order to minimize the implementation shortfall due to order execution, advising portfolio managers on the appropriate execution strategies, and devising pre-trade estimates and post-trade evaluation of execution costs.

Derivative, quantitative, and asset allocation analyst responsibilities are to advise the investment committee on strategies related to derivative and quantitative strategies designed to complement the fundamental equity analyses and to advise on tactical asset allocation.

Classes:

While the Asset Management Practicum is a half-credit class, it does not conform to the usual first-half/second-half of the quarter timing, hence the “C” designation. We will meet on Monday evenings for most, but not all, weeks of the quarter. We can not just manage the portfolio for half of the quarter. Each class meeting will include an update by the portfolio managers of the positions in the portfolio, the performance and risk profile of the portfolio, and trades made since the last class. Analysts whose recommended stocks are in the portfolio will have an opportunity
to update those recommendations. We will then either have a lecture by the instructor, by a visiting practitioner, by a data/software vendor, or by students. Students are expected to attend all class sessions.

On dates when there is a visiting practitioner we may have a pre-class dinner with the visiting speaker for a subset of the class.

“Review” Sessions:

Periodically, extra sessions will take place on Wednesday afternoons from 3:30 to 6:00 PM in room G27. These sessions will be used for training on vendor software. We may also use these sessions for additional class presentations.

Grading:

APM IV
Students in APM IV are required, in addition to their duties of managing the portfolio and reporting to the instructor and advisory board, present weekly reports on the portfolio risk and performance to the class. These reports will begin on April 21 2008. Additionally the AMP students have two written assignments, one involving the Barra software and an assignment from visiting speaker, Stacey Riddell. Students in AMP IV will also serve as mentors to students in APM I in their areas of specialization.

Weekly reports: 20%
Barra assignment: 15%
Riddell assignment: 15%
Presentation at annual advisory board meeting: 15%
Class Participation: 35%

Class participation is based on (1) attendance (2) contribution to the class discussion and (3) substantive evaluation of the stock pitches and visiting speakers. In all written work it is essential that students abide by appropriate citation policies. I will avail myself of the anti-plagiarism tools available through the University. If an assignment shows x% of the text inappropriately cited, I will assign a grade of (1 – x)% of my original grade. Read the Practicum’s policy on plagiarism.
Textbooks:

Finance 936C Recommended Texts:


Tentative Schedule (external speakers’ schedules can change without much notice we may need to be flexible):

March 31: Introduction
- Discussion of course structure and the portfolios
- Update of current portfolio status
- Introduction to equity analysis
- Introduction to asset management – principles and practice, including risk, performance evaluation, and benchmarking

April 7: Guest Speaker: Jerome Kenney ('67), Vice Chairman and Member, Executive Client Coverage Group, Merrill Lynch and member, AMP Advisory Council, The Strategic Landscape of the Asset Management Industry

April 14: Guest Speakers: Stacey Riddell ('89), Jamie Parisi (CFO) CME Group, John Pietrowicz (Managing Director, Corporate Finance & Treasury) CME Group, and John Peschier (Managing Director, Investor Relations) CME Group. Analyzing a Public Company Stock from A to Z.

April 21: Student stock pitches.

April 28: Student stock pitches.

May 5: Guest Speaker: Steven Milunovich ('87), Partner, Brunswick Group, LLP., Secrets of a Wall Street Analyst, Student stock pitches.

May 12: Student stock pitches.

May 16: (Friday) Make-up class for Memorial Day. Student stock pitches.

May 19: Student stock pitches.

May 26: No class – Memorial Day
June 2: Student stock pitches.

**Speaker Dinners:**

I will invite visiting speakers to dinner before class 5:15-6:15. If you do not have a class ending at 5:00, try to be there at 5:00, otherwise be there by 5:15. For each speaker, up to 10 students may attend the dinner. We have three dinners scheduled for the spring quarter. This is totally optional and attending dinners has no effect on your grade. However, if you sign up for a dinner, you need to be there. Not attending after signing up will adversely affect your class participation grade and access to future speaker dinners. If you wish to attend any of these dinners, please send a ranking of your interest level to Deborah Brauer at d-brauer@kellogg.northwestern.edu by Thursday, April 3rd.

**Laptop Policy:**

Laptops are not allowed to be used in class, unless I specifically make an exception.

**Honor Code/Code of Ethics:**

All students attending the Asset Management Practicum must abide by the Kellogg Honor Code. If you are unsure of what this means, read the honor code:

http://www.kellogg.northwestern.edu/stu_aff/policies/honorcode.htm

For individual assignments, you may discuss ideas and issues for your assignment with other member of the class, but the final work product must be your original work.

In addition, all students attending the Practicum must familiarize themselves with the CFA Institute Code of Ethics and Standards of Professional Conduct and the Practicum Code of Ethics. Students associated with the Practicum must agree to abide by the Practicum Code of Ethics and must attest to that agreement by giving me a signed copy of the Code.

Practicum Students must also abide by the Practicum plagiarism policy.

If you are in doubt about whether something is acceptable under the honor code/ code of ethics, you should not hesitate to ask me.

**Miscellaneous:**

I have asked the University Library to place on reserve a number of textbooks related to the course material. Those of you who are interviewing at more quantitative shops might want to take a look at *Heard on The Street: Quantitative Questions from Wall Street Job Interviews* by Timothy Crack. I also have posted job links on the Blackboard cite.