



Professor Robert Korajczyk
Asset Management Practicum IV
Finance 936/936C
Spring 2009

Draft Syllabus
(Always subject to revision)
April 6, 2009

Information about the course is available at:

<http://www.kellogg.northwestern.edu/faculty/korajczyk/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 INFORMATION > AMP IV - SPRING 2009"). Required textbooks are available at the bookstore. All class presentations (stock pitches, research papers) are posted on the website (Under "COURSE DOCUMENTS").

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 assistants are:

Fritz Burkhardt f-burkhardt@kellogg.northwestern.edu
Kevin Crotty k-crotty@kellogg.northwestern.edu

The TAs are Finance PhD students and are available to help you with software and data issues.

AMP IV (936/936C) is the last of a four-quarter sequence in asset management. FINC 936C is a half credit version of the course while FINC 936 is a full credit version. The full credit version differs from the half credit version by adding an assignment (described below). 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 funds' investing strategy is based on the fundamental security analyses of students in the. The fund will allow short positions as well as long positions. The funds may also allow the use of quantitative strategies as an overlay to the fundamental analyses.

Students will also report evaluations of the fund's performance to a board of advisors for the Asset Management Practicum on a semi-annual 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 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 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.

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, time permitting.

Investment Committee members 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.

Classes:

While FINC 936C 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. 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. 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:

There will be two or more sessions on Wednesday afternoons from 3:30 – 5:30 pm for training on vendor software such as Bloomberg, Barra, Thomson Financial, and FACTSET. Additional sessions will be announced as they are scheduled. Currently scheduled sessions are:

Wednesday, April 8	FactSet
Wednesday, April 15	Barra: Portfolio Manager
Wednesday, April 22	Barra: Portfolio Optimization
Wednesday, May 13	Thomson One

Grading:

FINC 936C

Students in FINC 936C 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. Students in AMP IV will also serve as mentors to students in APM I in their areas of specialization.

Weekly reports:	20%
Presentation at annual advisory board meeting (April 29 th 1:30-5:30):	40%
Class Participation:	40%

FINC 936

Students in FINC 936 are required to perform all the duties of students in FINC 936C plus an additional assignment. The additional requirements in 936 can be fulfilled in three ways: (a) take on the trading duties for AMP and write a report evaluating execution costs incurred by AMP; (b) write a research report (similar to the assignment in AMP II or III) to be presented to the class at the end of the quarter; or (c) present a stock pitch to the class in the first or second week of the quarter.

Weekly reports:	10%
Presentation at annual advisory board meeting (April 29 th 1:30-5:30):	20%
Class Participation:	20%
Research paper/Pitch/Trading	50%

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.

Textbooks:

Finance 936/936C Recommended Texts:

Damodaran, Aswath, *Investment Fables: Exposing the Myths of "Can't Miss" Investment Strategies*. Upper Saddle River: Prentice-Hall, 2004.

Litterman, Bob, *Modern Investment Management: An Equilibrium Approach*. New York: Wiley, 2003.

Maginn, John L., Donald L. Tuttle, Jerald F. Pinto, and Dennis W. McLeavey, *Managing Investment Portfolios: A Dynamic Process*, 3rd edition. Hoboken: Wiley, 2007.

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 two 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.

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.

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

March 30: Introduction
Discussion of course structure and the portfolios
Update of current portfolio status by AMP IV students
Introduction to equity analysis

Stock pitches: Matthew Zumbach
Eric Butler

March 30 7:30 am Stock pitch report and spreadsheets due (email to class)

March 30 3:00 pm Presentation slides due (email to class)

Note the due date for the pitches.

Assignment: From the Maginn book, read the following (posted on the course website):

Ch.1 – *The Portfolio Management Process and the Investment Policy Statement*
Ch. 7 – *Equity Portfolio Management*

April 6: Guest Speaker: Alice Schroeder will speak to AMP on “*Style Drift at Berkshire Hathaway*,” from 6:30 – 7 pm with time for Q & A.

Note: Alice Schroeder, author of *The Snowball: Warren Buffett and the Business of Life*, will speak in Coon Forum from 5:15 – 6:15 pm. The topic of her talk is “Buffett’s Rules in Today’s Investing World.” Please attend the session in Coon Forum so we do not repeat questions during the AMP class.

Stock pitches (AMP I): Ryan Anthony and Cristopher Kennedy
Christopher Graber and Michael Recht
Jason Stulberg and Thomas Wuellner

Portfolio updates by AMP IV portfolio managers

April 3 5 pm Stock pitch report and spreadsheets due (email to class)

April 6 3 pm Presentation slides due (email to class)

Note the due date for the pitches.

April 8 (Wednesday): FactSet Training, 3:30 – 5:30 pm, Room: 101.

April 13: Stock pitches (AMP I): Abhishek Ghuwalewala and Jonathon Wong
Pierre Horvilleur and Anne Marwick
Sarah Shekleton and Timothy Sy
Stock pitches (AMP IV): Perry Vickery

Portfolio updates by AMP IV portfolio managers

April 10 5 pm Stock pitch report and spreadsheets due (email to class)

April 13 3 pm Presentation slides due (email to class)

Note the due date for the pitches.

April 15 (Wednesday): Barra Training: Portfolio Manager
3:30 – 5:30 pm, Room G42
Kevin Crotty

Read: Chapters 1 and 2 from the Barra Getting Started Guide

Aegis Portfolio Management Reference Book Section 1

Connor: “The Three Types of Factor Models: A Comparison of Their Explanatory Power

April 20: Stock pitches (AMP I): Tae Jung Kim and Yoav Sharon
Ahmad Binshafout and Adam Milakofsky
Prince Bindal and Yosavee Niravichaiya

Portfolio updates by AMP IV portfolio managers

April 17 5 pm Stock pitch report and spreadsheets due (email to class)

April 20 3 pm Presentation slides due (email to class)

Note the due date for the pitches.

April 22 (Wednesday): Barra Training: Portfolio Optimizatoin
3:30 – 5:30 pm, Room G42
Robert Korajczyk

Read: Aegis Portfolio Management Reference Book Section 2

April 27: Portfolio updates by AMP IV portfolio managers

Guest Speaker: Scott Fearon ('83), Founder and President, Crown Capital Management;
member, AMP advisory board

Assignment: To be announced.

April 29 (Wednesday): **Asset Management Practicum Advisory Board and Sponsors Reception and Dinner**

1:30 – 3:30 pm Board Meeting (Location TBA)

6:00 pm Cocktails (Allen Center)

7:00 pm Dinner (Allen Center)

Dinner speaker: Michael Mauboussin

Assignment: Annual Fund Reports due April 27th by 5:00 PM

Michael Mauboussin's biographical information is posted on the Blackboard website (Course Documents – Speakers) together with many of the articles he has written. Please familiarize yourself with his investment philosophy by reading several of his articles in order to gain greater benefit from his talk at dinner. I would particularly recommend the following articles:

"Decision-Making for Investors Theory, Practice, and Pitfalls"

"Aver and Aversion: What Two Recent Experiments Mean for Investors"

"The Role of Social Context in Decision Making."

May 4: Portfolio updates by AMP IV portfolio managers

Guest Speaker: M. Jane Buchan, "Hedge Funds: An Inside Look". Ms. Buchan is Chief Executive Office and Managing Director, Pacific Alternative Asset Management Company, LLC (PAAMCO).

Assignment: There's no required reading but the following are things people at PAAMCO have read:

- Derivatives Markets, Robert McDonald – Actually, this is required!
- Value at Risk, Philippe Jorion – then again, everything written by Philippe is required. He's a Managing Director here and heads our risk department.
<http://www.merage.uci.edu/~jorion/>
- Fundamental Methods of Mathematical Economics, Alpha Chiang & Kevin Wainwright

May 11: Stock pitches (AMP I): Ryan Anthony and Cristopher Kennedy
Christopher Graber and Michael Recht
Jason Stulberg and Thomas Wuellner

Portfolio updates by AMP IV portfolio managers

May 8 5 pm Stock pitch report and spreadsheets due (email to class)

May 11 3 pm Presentation slides due (email to class)

Note the due date for the pitches.

May 12 (Tuesday): **Note:** Robert Shiller, Economics Professor at Yale, and author of *The Subprime Solution and Irrational Exuberance*, will speak in Coon Forum at 5:15 pm on the “Economic Outlook 2009.”

May 13 (Wednesday): Thomson One Training in Jacobs 2222 (Computing Lab) from 3:30 – 5:30 pm

May 18: Stock pitches (AMP I): Abhishek Ghuwalewala and Jonathon Wong
Pierre Horvilleur and Anne Marwick
Sarah Shekleton and Timothy Sy

Portfolio updates by AMP IV portfolio managers

May 15 5 pm Stock pitch report and spreadsheets due (email to class)

May 18 3 pm Presentation slides due (email to class)

Note the due date for the pitches.

May 25: No Class – Memorial Day

June 1: Stock pitches (AMP I): Tae Jung Kim and Yoav Sharon
Ahmad Binshafout and Adam Milakofsky
Prince Bindal and Yosavee Niravichaiya

Portfolio updates by AMP IV portfolio managers

May 29 5 pm Stock pitch report and spreadsheets due (email to class)

June 1 3 pm Presentation slides due (email to class)

Note the due date for the pitches.

Attachment I

Investment Committee Assignments - Spring 2009

Fund	Investment Committee	Investment Committee “Shadows”
Kenney Fund	Steve Griffiths Perry Vickery	Ryan Anthony Prince Bindal Ahmad Binshafout Abhishek Ghuwalewala Christopher Graber Pierre Horvilleur
Commingled Fund	Eric Butler Enzo D’Angelo	Cristopher Kennedy Tae Jung Kim Anne Marwick Earl McAllister Adam Milakofsky Yosavee Niravichaiya Michael Recht
Crown and Nash Funds	Michael Tyree Matthew Zumbach	Yoav Sharon Sarah Shekleton Jason Stulberg Timothy Sy Jonathon Wong Thomas Wuellner

Attachment II

Analyst and Industry Assignments – Spring 2009

Name	Industries to Pitch	Existing Position to Follow
Anthony, Ryan	Healthcare Retail	CVS Caremark (CVS) <i>Pitched by Michael Tyree, W 08</i>
Bindal, Prince Ashok Kumar	Oil and gas Telecom Biotech and Pharma	Berkshire Hathaway, Class B (BRK.B) <i>No pitch</i> <i>Updated by Chris Dasse, F 08</i> Ameren (AEE) <i>Pitched by Steve Griffiths, F 08</i>
Binshafout, Ahmad Awadh	Industrials Energy Telecom	Itron (ITRI) <i>Pitched by Matthew Zumbach, SP 08</i> <i>Updated by Matthew Zumbach, W 09</i> Nalco Holdings (NLC) <i>Pitched by Enzo D'Angelo, W 08</i>
Ghuwalewala, Abhishek	High tech Media and entertainment Alternative energy	Apple (APPL) <i>Pitched by Jeffrey Nevins, F 08</i>
Graber, Christopher Jerome	Healthcare Professional services Consumer products Industrial machinery/ Equipment	Lorillard (LO) <i>Pitched by David Stott, W 09</i> Newmont Mining (NEM) <i>Pitched by Maziar Brumand, F 07</i>

Name	Industries to Pitch	Existing Position to Follow
Horvilleur, Pierre	Consumer staples Consumer discretionary Financial institutions Media	Potash Corp. (POT) <i>Pitched by Scott Prieur, SP 08</i> <i>Updated by Scott Prieur, W 09</i>
Kennedy, Cristopher	Consumer Healthcare Business services Industrials	Air Methods (AIRM) <i>Pitched by Enzo D'Angelo, SP 08</i>
Kim, Tae Jung (TJ)	High tech – software High tech – internet services Consumer goods	Nike (NKE) <i>Pitched by K. Shibata, W 08</i>
Marwick, Anne Elizabeth	Retail Food and beverage Travel and leisure	Macy's (M) <i>Pitched by Enzo D'Angelo, W 09</i>
Milakofsky, Adam Vere	Technology: Software, Online transactional, online media, IT services	Netflix (NFLX) <i>Pitched by Jacqueline Spring, W 09</i>
Niranvichaiya, Yosavee	Construction materials Petrochemicals Energy	TJX Companies (TJX) <i>Pitched by Katherine Della Maria, F 07</i> <i>Updated by Justin Ward, W 09</i> Denbury Resources (DNR) <i>Pitched by Michael Tyree, W 09</i>
Recht, Michael Joseph	Finance Healthcare Industrials	Fastenal (FAST) <i>Pitched by Chris Dasse, SP 08</i> LHC Group (LHCG) <i>Pitched by Michael Tyree, SP 08</i> <i>Updated by Michael Tyree, W 09</i>

Name	Industries to Pitch	Existing Position to Follow
Sharon, Yoav	Consumer staples Technology Energy Insurance	Alon (ALJ) <i>Pitched by Matthew Zumbach, F 08</i> Valero Energy (VLO) <i>Pitched by Ed Lalanne, W 07</i>
Shekleton, Sarah	Financial institutions Healthcare Technology	Wells Fargo (WFC) <i>Pitched by Eric Butler, F 08</i> Medcath (MDTH) <i>Pitched by Enzo D'Angelo, SP 08</i>
Stulberg, Jason Scott	Chemicals Food – manufacturer or service providers (restaurants) Retail apparel	The Hershey Company (HSY) <i>Pitched by Scott Prieur, W 09</i> Boston Beer (SAM) <i>Pitched by John Hennegan, W 09</i>
Sy, Timothy Bryce Atenza	Financial Services Energy	CME Group Inc (NYSE: CME) <i>No pitch – management presentation to AMP on April 14, 2008</i> <i>Updated by Wei Liu, W 09</i> Desarrolladora Homex (HXM) <i>Pitched by Stephen Buehler, F 07</i>
Wong, Jonathon Man Sheng	Technology Telecom Retail	Autozone (AZO) <i>Pitched by Nathan Kadish, SP 08</i> Norfolk Southern Corp. (NSC) <i>Pitched by Peter Smith, W 08</i>
Wuellner, Thomas Neil	Construction materials Retail Industrials Restaurants Alternate fuels/renewable energy	B&G Foods (BGS) <i>Pitched by David Stott, SP 08</i> <i>Updated by David Stott, F 08</i> Chipotle Mexican Grill (CMG) <i>Pitched by R J Santos, W 09</i>

Attachment III

Requirements for Weekly Portfolio Updates by Investment Managers

The three AMP investment committees should present weekly reports on the risk and performance of the four funds. The report is due each Monday the class meets. The report should include, at a minimum:

- A statement of the committee's chosen target asset allocation. This should include an analysis of cash versus equity, market capitalization of the fund's holdings, and selected sector exposures via ETFs.
- Total return on the fund: since inception (April 11, 2007); calendar year to date; calendar quarter to date; and any other period of your choice. Compare these returns to the benchmark return. All of these returns can be obtained from the "Performance: Fund Performance" section of the Goldman web site.
- An analysis of each position's contribution to the fund's performance. This can be obtained from the "Performance: Security Performance" section of the Goldman web site.
- A graph of the Risk Decomposition Chart from the MSCI Barra Aegis Portfolio Manager as of the previous Friday.
- A graph of the Active Risk Index Exposures and Active Industry Exposures from the MSCI Barra Aegis Portfolio Manager as of the previous Friday.
- A check of adherence to all of the fund's restriction as outlined in the current Investment Policy Statement (please use the BARRA estimated beta rather than the Goldman computed beta because the BARRA beta is forward looking rather than historical).

An electronic version of this report should be emailed to all class members, the instructors, and Debbie Brauer (this can be accomplished through the Blackboard website with Communication – Send Email – All Users) by 5:00 PM on class days.

Attachment IV

Stock Pitch Guidelines and Requirements

Analysts choose the company on which they make stock recommendations (long or short) from the industry group or groups to which they are assigned (the assignments are provided in **Attachment II**). Because we are making recommendations for investments, the goal is to choose a stock for which a **buy** or **sell** (short) recommendation can be made. Hold recommendations should be avoided.

A fundamental analysis should include, at a minimum:

- 1) an analysis of the firm's business and its industry, including its strategy and the competitive landscape
- 2) an analysis of the firm's financial condition including profitability, balance sheet, and cash flow generation
- 3) a forecast of the firm's future performance structured as pro forma financial statements with well-articulated assumptions about the key value drivers
- 4) a DCF valuation of the firm based on the financial projections
- 5) a target price or price range and a related target date for attaining that price

The stock pitch analysis comprises two parts. The first is a written report with supporting exhibits, the equivalent of a sell-side analyst's report, providing an in depth analysis of the company and the bases for the recommendation. Included in this written report, in excel format, must be a complete set of pro forma financial statements for the firm as well as a DCF valuation analysis. Additional analyses may be provided but the pro forma financial statements and DCF valuation analysis are required. The analyst should specify the assumptions behind the pro forma financial statements and provide both sensitivity analysis and scenario analysis.

Analysts provide either a Word or PDF document for the report and the pro forma financial statements in a separate Excel document. It is important that the pro forma financial statements be in excel format, not PDF, so students in the class can trace the analyses and even do their own sensitivity analysis if desired. To that end, the spreadsheets should be formatted so that they can be printed easily by the class members.

The report and spreadsheets **must** be emailed to all class members (this can be accomplished through the Blackboard website with Communication – Send Email – All Users) by **5 pm on the Friday before the Monday presentation unless noted otherwise on the syllabus**. All students are expected to read the report and study the spreadsheet financials before class. The report must contain all of the substantive information and analyses for the stock pitch.

The second component of the analysis is a set of power point slides for presentation to the class. Because all students will have read the report before class, the purpose of the power point slides is not to educate the audience of potential investors but rather to emphasize the main points and the recommendations from the written report. The power point presentation must be emailed to all class members (using the Blackboard procedure) by **3 pm on the day of the presentation**.

If the report is submitted late, 5 points (out of a 100) will be deducted for each 24 hour period it is late.

The analyst will have a maximum of 10 minutes to make the pitch followed by a maximum of 20 minutes of questions from the class. The point of view in asking questions should be that of an investment committee analyzing the potential investment.

All students and faculty will provide a written evaluation (electronically on a form provided – see **Attachment V**) of the stock pitch, assessing the quality of the written report and of the oral presentation. The key considerations are the quality and effectiveness of the stock pitch and whether the evaluator would support the recommendation made in the stock pitch for the AMP funds. The written evaluations consist of numerical scores for several portions of the evaluation and written comments to support those scores.

The stock pitches will be broadcast via WEBEX to the AMP's Board of Advisors and interested alumni who may ask questions of the presenter. Analysts should bring their pitches to class on a memory stick/flash drive because they must use the laptop computer attached to the WEBEX system for the presentation.

As noted above, all prior stock pitches are posted on the AMP Blackboard website and can serve as examples.

Attachment V

Stock Pitch Evaluations

The procedure for evaluating the stock pitches will be similar to that of Spring Quarter. After the pitch, all members of the class will receive a link to a website with the evaluation form. The evaluation form has been revised, with the addition of several specific questions. And, as mentioned above, the time frame for submitting the evaluation has been shortened to 48 hours. That is, the evaluations are due by **9 pm of the Wednesday** following the stock pitch presentation so the results can be distributed to the investment committees on Thursday. Timing can be an important element of portfolio management.

Now that we have experience preparing stock pitches, the depth and detail of analysis of the stock pitches this quarter should increase. For example, there were relatively few comments last quarter about the valuation model in the pitches. The valuation model is an important part of the stock pitch and all students should review carefully the model and its assumptions prior to the presentation. The model should receive a significant portion of the written comments and suggestions.

Although the focus is on being constructive, positive comments such as “good pitch” may be considered supportive but they lack the information content to make them constructive. Why was it a good pitch? What in particular distinguished the pitch? What was compelling about the pitch? Comments such as “presenter really seemed to know the business” are likewise not sufficiently informative. How was this knowledge demonstrated? What did you find convincing about the presentation? Would you recommend implementing the buy or sell recommendation? Why or why not? What recommendations can you make for improving the structure and effectiveness of the stock pitch?

The numerical scores are important but the most valuable element of the evaluation to the person presenting the pitch is the written section of suggestions for improvement.

The revised form will include the following questions:

Business Analysis	What grade do you assign to the quality of the business analysis supporting the stock pitch? (1 – 100)
Financial Analysis	What grade do you assign to the quality of the financial analysis supporting the stock pitch? (1 – 100)
Valuation Model	What grade do you assign to the quality of the valuation model supporting the stock pitch? (1 – 100)
Written Presentation	What grade do you assign to the overall quality of the written portion of the stock pitch? (1 – 100)
Oral Presentation	What grade do you assign to the overall quality of the oral portion of the stock pitch? (1 – 100)

Effectiveness What grade do you assign to the effectiveness of the stock pitch in convincing you of the presenter's position; in other words, how likely is it that you will recommend implementing the trade? (1 – 100)

Valuation What is the upper bound of your 95% confidence interval for the intrinsic value of the pitched stock? (e.g., \$30 - \$35 per share)

Valuation What is the lower bound of your 95% confidence interval for the intrinsic value of the pitched stock? (e.g., \$30 - \$35 per share)

Recommendations What recommendations for improvement would you suggest?

Please address each of the above categories in your detailed, written recommendations.

Questions Ask the analyst any unanswered questions you have about the pitch. The analyst may choose whether to respond to questions via an email to the class or to the instructor or not at all.

Attachment VI

Updates on Portfolio Holdings – or How to “Follow” a Stock

Students have been assigned to “follow” stocks that are currently held by one or more funds but that were generally pitched by students who have graduated from Kellogg.

Following the stock involves making recommendations to the investment committee about continuing to hold the stock, purchasing more of the stock, reducing the position, or closing out the position.

The assigned analyst should review the original stock pitch (generally posted on the AMP Blackboard site) as well as any updates to the pitch (also posted on the AMP Blackboard site) in order to understand the original investment thesis.

An update on the stock should be made to the class (5 – 10 minutes in length) which would include the stock’s performance since its addition to the portfolio and performance relative to the pitch’s target price and target date. An outline for such a short presentation can be found by going to the course website, Course Documents, under “Advisory Board Meeting April 23, 2008.” The portfolio managers provided a summary of each of the stocks in the portfolios for this meeting. The presentation to the class should be more detailed than this summary but cover the same basic points.

The analyst should keep abreast of new developments with respect to the stock that could affect the recommendation in the future—for example, earnings announcements, management changes, regulatory issues, etc. The analyst should communicate these updates via an email to the class, summarizing the recent development and providing any change in recommendation as a result. However, if there is a potentially important change, a short presentation (5 – 10 minutes) to the class is warranted. An invitation to provide updates on the existing positions will be made at the beginning of each class.

Attachment VII

Research Reports

The portfolio managers in AMP II and AMP III will present research reports during the last two class periods of the quarter. Research reports from prior quarters are posted on the course website and we strongly urge you to review those papers as they provide some excellent suggestions and implementable procedures for managing the AMP portfolios. They may also provide assistance in developing a topic for future research reports. In some instances, it may be possible to expand and extend a previous research report.

In particular, the traders should review the research papers by Brusznicki and Rangaswami (W '08) "A Process Oriented Approach to Measure Trading Costs," and the research report by Carlson and Qiao (F'07) "A Study on AMP Funds' Trading Costs and Trading Venues." Both reports are on the course website.

Please make an appointment to discuss the topic and design of your research report with the instructor as soon as you have some thoughts and ideas about it.