AMP IV (FINC 936C) is the final quarter of a four quarter sequence in asset management. This class meets jointly with AMP I (FINC 933). It is open only to students who have completed AMP I, II, and III.

Information about the course and all course-related documents are on the Blackboard site with the title “Kellogg Asset Management Practicum.”

Additional information about the course is available at:

http://www.kellogg.northwestern.edu/asset_management/index.htm

**Office hours:** If you would like to set up an appointment, please email Debbie Brauer at d-brauer@kellogg.northwestern.edu. Debbie has access to my calendar and will set up appointments.

**Teaching Assistants:** The course teaching assistants are:

Kevin Crotty  k-crotty@kellogg.northwestern.edu  
Andreas Neuhierl  a-neuhierl@kellogg.northwestern.edu

**Overview of AMP IV**

**Investment committee.** AMP IV students serve as the investment committees for the portfolios. As the senior members of the investment committee, AMP IV students will take the lead in managing the portfolios and in developing the AMP I students to assume responsibility for the portfolios. 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 also assist in evaluating analyst recommendations.

**Trader.** One AMP IV student will be the trader for each portfolio. 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. Traders must be familiar with trading procedures (e.g., Radical at ITG, our executing broker, and Goldman Sachs, our prime broker) and must maintain a cumulative record of trades as outlined in the trade data spreadsheet (on the course website in spreadsheet form). Copies of the trade data spreadsheet must be emailed to the portfolio managers requesting the trade as well as to:

l-vincent@kellogg.northwestern.edu
r-korajczyk@kellogg.northwestern.edu
Phillip-braun@kellogg.northwestern.edu

Advisory Board Meeting: The AMP IV students are primarily responsible for preparing the presentation for the Advisory Board Meeting on Wednesday, May 9, with the assistance of the other AMP I portfolio managers and analysts. Attendance is required at this meeting.

Honor Code/Code of Ethics/Plagiarism Policy: All students in the Practicum must abide by the Kellogg Honor Code and both the Practicum Code of Ethics and the Practicum Plagiarism Policy which you signed upon registration for the Practicum.

Code of Classroom Conduct: Because this is an experiential learning class modeled on professional investment management as practiced, students are expected to act as professionals in the classroom. Please refrain from eating during class and be courteous with your attention to the presenter, whether a student or an outside speaker. Because the pitches include a spreadsheet, I permit laptops to be open at all times. However, unrelated uses of the laptop such as surfing the web and reading/responding to emails are inappropriate and rude to the speaker. Questions and comments to the speaker should be professionally stated, avoiding slang and inappropriate language. The presenter should likewise avoid slang and inappropriate language. Side conversations should be avoided. These requirements are consistent with the Kellogg Code of Classroom Etiquette.

Pre-class dinners: There are two dinners scheduled for the spring quarter (April 4 and April 11). If you do not have a class ending at 5:00, try to be there at 5:00, otherwise be there as quickly as you can. For each speaker, up to 10 students may attend the dinner. Dinner is optional and attending dinners has no effect on the course grade. However, if you sign up for a dinner, you must attend. Not attending after signing up will adversely affect your class participation grade and access to future speaker dinners. If you wish to attend either or both of these dinners, please email your preferences (1st and 2nd choices) to Deborah Brauer (mailto:d-brauer@kellogg.northwestern.edu) by Wednesday, March 30th.

Grading:

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<th>Component</th>
<th>Percentage</th>
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<tr>
<td>Weekly portfolio updates</td>
<td>10 %</td>
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<tr>
<td>Presentation at annual advisory board meeting (May 9th)</td>
<td>20 %</td>
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<tr>
<td>Class participation</td>
<td>5 %</td>
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<td>Speaker assignments</td>
<td>5 %</td>
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<td>Written evaluations of stock pitches/research reports</td>
<td>20 %</td>
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<tr>
<td>Research paper/stock pitch</td>
<td>30 %</td>
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<td>Peer evaluation</td>
<td>10 %</td>
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Completion of co-requisites: If a student does not complete the four course co-requisites by the end of the three quarter sequence, a one letter-grade reduction will be imposed for each course deficit. Students with scheduling issues should discuss options with the instructor.
Advisory Board Meeting – Attendance Required

The annual AMP Advisory Board meeting and dinner occur on Wednesday, May 9, 2012. Each portfolio team will report on the funds’ performance at the meeting. AMP IV students are required to attend the afternoon meeting with the board members from 12:30 – 4:30 pm. AMP IV students are invited to the reception and dinner beginning at 6:00 pm. This is a great opportunity to meet the outside members of the AMP Advisory Board, all of whom are investment professionals and have contributed financially to the funds. Other invitees to the reception and dinner include all past AMP guest speakers, all major sponsors of AMP, all AMP alumni, and selected Kellogg faculty. The Advisory Board is invited to participate via teleconferencing in all stock pitches and research reports.

Stock Pitches:

Students choose the company on which they make stock recommendations (long or short) from their preferred industry groups and in consultation with their portfolio managers. Attachment III provides guidelines and requirements for the stock pitches. In addition, all past pitches made to the Practicum are posted on the Blackboard website and students may refer to these for examples. The pitch report, including a spreadsheet valuation model, must be emailed to all class members (this can be accomplished through the Blackboard website with Communication – Send Email – All Users) by 9 am on the Monday before the Wednesday presentation (unless indicated otherwise on the schedule below). All students are expected to read the report and study the spreadsheet model 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 the 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, or fraction thereof, it is late.

The analysts will have a maximum of 10 minutes to make the pitch followed by a maximum of 15 minutes of questions from the class. The point of view in asking questions should be that of an investment committee analyzing a potential investment.

Student questions. All students must turn in a set of questions to the instructor (hard copy only) for each pitch at the beginning of class. There should be a minimum of three questions per pitch and at least two of the questions must be related to the spreadsheet model. Students do not have to ask questions during class from those turned in but may do so.

Online evaluations. All students and the instructors will provide a written evaluation (electronically on a form provided – see Attachment IV) of the stock pitch, assessing the quality of the written report and the verbal 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 comments, without attribution, are distributed to the class. The students making the pitch may respond to questions raised in the evaluation with a general email to the class.

The stock pitches will be broadcast via Webinar 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 Webinar system for the presentation.

**Analytics Sessions** are scheduled in the period from 5:15 to 6:15 in our classroom. These sessions will go over aspects of our analytics software/tools. Please see the schedule below for details.

**Textbooks:**

There is no required textbook or case packet for AMP IV.

**Recommended Texts:**


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

March 28:  Introduction
Stock pitch: None
Update of current portfolio status: AMP IV students

Assignment:
Mauboussin: "Common Errors in DCF Models" (on Blackboard)
Mauboussin/Barthodson: "Measuring the Moat" (on Blackboard)
From Connor, Goldberg, & Korajczyk, Chapter 12 (on Blackboard)

**March 28  3:00 pm**  Portfolio updates due (email to class)

April 4:  Guest Speaker: Robert Litterman, Chairman of the advisory board at Kepos Capital, "Pricing Climate Risk."
Update of current portfolio status (time permitting)
Please refer to the more detailed biographical information on Blackboard.
Assignment: Review slide deck on "Pricing Risk" available on Blackboard.

April 11:  Guest Speaker: Matthew Simon ('04), Portfolio Manager, Citadel Asset Management."

Assignment: Consider the following railroads: UNP, KSU, CP, CNI, CSX, NSC.
Chose your favorite long position and your favorite short position.
Write a one page report outlining your choices and logic supporting them.
Portfolio updates by portfolio managers (time permitting)

**April 9  9:00 am**  Report due (email to class and to Debbie Brauer).
**April 11  3:00 pm**  Portfolio updates due (email to class).
April 18:  **Analytics session 5:15-6:15:** How to screen stocks in FactSet and Bloomberg  
Stock pitches: George Fernandes, Tetsushi Imatomi, Adam Slutsky  
Portfolio updates by portfolio managers  

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<tr>
<th>April 16  9:00 am</th>
<th>Stock pitch report and spreadsheets due (email to class)</th>
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<tr>
<td>April 18  3:00 pm</td>
<td>Stock pitch presentation slides due (email to class)</td>
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<tr>
<td>April 18  3:00 pm</td>
<td>Portfolio updates due (email to class)</td>
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<tr>
<td>April 18  6:30 pm</td>
<td>Questions on pitches due (hard copy to instructor)</td>
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April 25:  **Analytics session 5:15-6:15:** Intro to Barra Portfolio Manager  
Stock pitches: Nitin Saigal, Pam Tantitham  
Portfolio updates by portfolio managers: Crown/Nash Funds  

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<th>April 23  9:00 am</th>
<th>Stock pitch report and spreadsheets due (email to class)</th>
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<td>April 25  3:00 pm</td>
<td>Stock pitch presentation slides due (email to class)</td>
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<td>April 25  3:00 pm</td>
<td>Portfolio updates due (email to class)</td>
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<td>April 25  6:30 pm</td>
<td>Questions on pitches due (hard copy to instructor)</td>
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May 2:  **Analytics session 5:15-6:15:** Portfolio Optimization in Barra Portfolio Manager  
Stock pitches: Anup Goel, Salman Hasnain, Matthew Monson  
Portfolio updates by portfolio managers: Kenney Fund  

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<th>April 30  9:00 am</th>
<th>Stock pitch report and spreadsheets due (email to class)</th>
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<td>May 2  3:00 pm</td>
<td>Stock pitch presentation slides due (email to class)</td>
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<td>May 2  3:00 pm</td>
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<td>May 2  6:30 pm</td>
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May 9:  **Asset Management Practicum Advisory Board and Sponsors' Reception and Dinner**

12:30 – 5:00 pm  Board Meeting (Allen Center)  (Business Attire).  The investment committees (AMP I and AMP IV) will report on the funds’ performance over the period April 1, 2011-March 31, 2012 at the meeting. The Board will also meet with only the students (no instructors present). Followed by:  6:00 pm  Cocktails (Allen Center); 7:00 pm  Dinner (Allen Center)

Richard Bookstaber, Senior Policy Adviser to the Financial Stability Oversight Council and Senior Policy Adviser at the SEC, speaker: "Agent-based Models and Market Dynamics"

May 7  9:00 am  Presentation deck for Advisory Board due (e-mail to class)

May 16:  **Analytics session 5:15-6:15:**  Alpha Sense

Stock pitches:  Joe Byrne, Melissa Pugeda, Jingfei Tan, Connor Wilson

Portfolio updates by AMP portfolio managers

May 14  9:00 am  Stock pitch report and spreadsheets due (email to class)
May 16  3:00 pm  Stock pitch presentation slides due  (email to class)
May 16  3:00 pm  Portfolio updates due (email to class)
May 16  6:30 pm  Questions on pitches due (hard copy to instructor)

May 23:  **Analytics session 5:15-6:15:**  Barra Performance Analyst

Stock pitches:  Roy Liao, Gajendra Sidana, Agustin Sanchez-Ray, Derrick Wortes

Portfolio updates by AMP portfolio managers

May 21  9:00 am  Stock pitch report and spreadsheets due (email to class)
May 23  3:00 pm  Stock pitch presentation slides due  (email to class)
May 23  3:00 pm  Portfolio updates due (email to class)
May 23  6:30 pm  Questions on pitches due (hard copy to instructor)
May 30:  Stock pitches: Derek Bastin, Jeffrey Dugan, Jose Pradez  
Research reports: Liang Chen  
Guillermo Dal Borgo  
Matthew Galas  
Saurabh Goyal  
Ankur Kothari  
Ziyu Lu  
David Mathews  
Sung Hwang Moon  
Danielle Qi  

Portfolio updates by portfolio managers  
Summer portfolio management: Presentation by AMP II portfolio managers  
Transition to new portfolio managers for Fall Quarter  
**May 28**  9:00 am  Stock pitch report and spreadsheets due (email to class)  
**May 28**  9:00 am  Research reports due (email to class)  
**May 30**  3:00 pm  Stock pitch and research report presentation slides due  (email to class)  
**May 30**  3:00 pm  Portfolio updates due (email to class)  
**May 30**  6:30 pm  Questions on pitches due (hard copy to instructor)  

June 6:  Stock pitch: Patrick Feeney  
Research reports: Liang Chen  
Guillermo Dal Borgo  
Matthew Galas  
Saurabh Goyal  
Ankur Kothari  
Ziyu Lu  
David Mathews  
Sung Hwang Moon  
Danielle Qi  

Summer portfolio management: Presentation by AMP II portfolio managers  
Transition to new portfolio managers for Fall Quarter  
**June 4**  9:00 am  Stock Pitch and Research reports due (email to class)  
**June 6**  3:00 pm  Stock Pitch and Research report presentation slides due  (email to class)
## Attachment I

### Investment Committee Assignments

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<thead>
<tr>
<th>Fund</th>
<th>Investment Committee</th>
<th>Analysts</th>
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<td>Kenney Fund</td>
<td>• Lu</td>
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**Fall admission:**
Zachary Hensley
Quansheng Wu
Lingbo Zhu
Attachment II

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 Wednesday 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: 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 or from Barra Aegis Performance Analyst (under Asset Contributions).

- 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.

- An analysis of the fund’s performance using Barra’s performance analyst (please refer to the research paper by Marwick, Shekleton, Stulberg, and Wong from Winter Quarter, 2010).

- 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 3:00 PM on class days.
Attachment III

Stock Pitch Guidelines and Requirements

Analysts choose the company on which they make stock recommendations (long or short) after consultation with the three investment committees and the instructor on industries/sectors that are under-represented in the portfolio. 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

In addition the analyst should provide information as to how the stock was selected. If a screen or set of screens was used, the results of each of the screens should be provided.

The analyst should provide the investment committees with a downside price at which the analyst recommends the portfolio exit the position (long or short) if the thesis does not play out.

The stock pitch comprises two parts. The first is a written report with supporting exhibits, 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) by 9 am on the Monday before the Wednesday 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, or portion thereof, it is late.

The analyst will have a maximum of 10 minutes to make the pitch followed by a maximum of 15 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 IV) 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 WEBINAR 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 WEBINAR system for the presentation.

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

Stock Pitch Evaluations

After the pitch, all members of the class will receive a link to a website with the evaluation form for the pitch. The evaluations are due by 5 pm of the Friday following the stock pitch presentation so the results can be distributed to the investment committees. Timing can be an important element of portfolio management.

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 form includes the following questions:

**Written Presentation**

What grade do you assign to the overall quality of the written portion of the stock pitch? Included in this category are the analysis of the business (e.g., competitive advantages) and financial analysis (e.g., balance sheet, income statement, cash flows). (1 – 100)

**Oral Presentation**

What grade do you assign to the overall quality of the oral portion of 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)

**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)

**Recommendations**

What recommendations for improvement would you suggest?

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

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. Examples of stock updates from previous quarters are on the course website.

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 VI

Research Reports

The group research reports will be presented by the AMP IV portfolio managers during the last class period of the quarter, May 30. 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.

Presentations and Q&A should be approximately 30 minutes (e.g., 20 minutes for the presentation and 10 minutes for Q&A). The reports are due the Monday before class and should be emailed to the class via Blackboard. Presentation slides should be sent to the class via Blackboard by 3:00 PM the day of the presentation.
Operational Rules

It is natural for those in asset management to focus on the financial risks associated with the investments made by the fund. There are many operational risks faced by asset management companies. We must minimize operational risks by adhering to strict operational rules.

1) All participants must abide by and sign the Practicum code of ethics.

2) Each Fund must adhere to the Investment Policy Statement for that Fund.

3) Only Securities/Strategies presented in class are eligible for inclusion in Funds (with exceptions stated in the investment policy statement).

4) Only designated student traders are authorized to trade assets for the fund. Trades should only be made during trading hours on the Exchange. Limit orders should be used rather than market orders to protect against trading errors.

5) When a fund team decides to make a trade in an asset, they should e-mail instructions to the trader and CC the course instructor. Instructions should include a specific description of the asset, the size (in shares) and direction (buy, sell, short, cover) of the trade, and an indication of urgency. The fund team must also make sure that sufficient funds are available to cover the trade, and that the trade does not cause the fund to be in violation of the investment policy statement. The fund team must also determine that the fund’s positions will not trigger UBIT.

6) Before a short sale, the trader must locate the shares with the prime broker. **It is illegal to execute a short sale without locating shares.**

7) The trader is encouraged to have a second practicum participant confirm the accuracy of the trade before submitting it to the executing broker (ITG Incorporated). Post execution, the trader must send a confirming e-mail to the fund team (and copy the course instructors) confirming the execution of the trade with amounts and transaction prices. The trader must notify the prime broker (Goldman Sachs) of the trade (security, size, direction, and fund name).

8) Traders should not override the trading limits in the trading software.

9) The trade and the fund team investment committee must both confirm that the trade is accurately posted by the Prime Broker (Goldman Sachs) by the morning after the trade.
10) If the trader is unable to trade the order, the trader or the fund team can ask the instructors to trade the order.

11) Fund teams must present a weekly report of fund valuation, risk, adherence to the fund’s investment policy statement. If the fund is out of compliance (e.g., the fund’s beta is less than 0.7 or greater than 1.3), the fund’s investment committee must take appropriate steps within two days to return the fund to compliance.

12) The fund teams must keep a record of execution costs and analyst performance for periodic reporting purposes.
Professors Robert Korajczyk, Linda Vincent, and Phillip Braun
Asset Management Practicum I - IV
Finance 933 - 936
Spring 2012 – Spring 2013

Investment Policy Statement

The Asset Management Practicum portfolio consists of four sub-funds:

- The Crown Fund
- The Kenney Fund
- The Nash Fund
- The Commingled Fund

The Crown, Kenney, and Commingled Funds:

The Crown, Kenney, and Commingled Funds are to be invested in equities traded in the United States, exchange traded funds (ETF), and cash reserves. Positions may be long or short and must be based on fundamental security analysis. The funds should have a net exposure (beta) to the S&P 500 between 0.7 and 1.3. The funds should be diversified to the extent that tracking error, relative to the S&P 500, should not exceed 5% per month.

All individual stock positions must be from the set of stocks pitched in class, in FINC 444, or at an Investment Management Club meeting. Existing positions can be adjusted at any time. A stock is eligible for inclusion as a new position in the portfolio for up to four weeks following the date of the pitch or of an in-class update. Stocks that have been pitched or updated in class during the preceding two academic quarters can become eligible following an email update to the class and instructors containing at least the following information: 1) a summary of the original investment thesis, target price, target date, and catalysts; 2) an analysis of important changes to the firm and the industry since the pitch or update; 3) the current thesis, target price, target date, and catalysts. Stocks that have not been pitched or updated in class in the last two quarters require a detailed update of the stock in class to re-qualify the stock for inclusion in the portfolio. Portfolio managers can take positions of up to 1% in stocks not yet pitched (not to exceed a total of 4% of the portfolio). If the stock is not pitched within 4 weeks, the position must be closed.

ETF positions are meant to control the overall market and style exposure of the funds. The following ETFs can be traded without prior approval: S&P Depositary Receipts (SPY), Vanguard large/small capitalization, value/growth, and total market VIPERS (VV, VB, VUG, VTV, VTI). Other ETF positions must be approved by the instructors and may require a short presentation to the class. Only ETFs that are covered by Barra are eligible. A list of eligible ETFs is posted on the course website.
Quantitative Overlays: Up to 10% of the fund may be allocated to a particular quantitative strategy (up to 40% across strategies) after a presentation to the class (including past research reports) and with permission of the instructors. Once the strategy is approved, stocks chosen by the strategy do not need to be pitched.

Position Limits: A long position in an individual security should not exceed 8% of the fund’s market value. A short position in an individual security should not exceed 4% of the fund’s market value. These limits do not apply to cash or securities that are, themselves, well-diversified, such as exchange traded funds linked to market indices. Total short positions should not exceed 30% of the fund’s market value.

The fund’s portfolio needs to be structured to avoid incurring unrelated business income tax (UBIT).

The Nash Fund:

The Nash Fund is to be invested in equities traded in the United States, exchange traded funds, and cash reserves. Positions must be long and based on fundamental security analysis. The fund should have a net exposure to the S&P 500 between 0.7 and 1.3. The fund should be diversified to the extent that tracking error, relative to the S&P 500, should not exceed 5% per month.

All individual stock positions must be from the set of stocks pitched in class, in FINC 444, or at an Investment Management Club meeting. Existing positions can be adjusted at any time. A stock is eligible for inclusion as a new position in the portfolio for up to four weeks following the date of the pitch or of an in-class update. Stocks that have been pitched or updated in class during the preceding two academic quarters can become eligible following an email update to the class and instructors containing at least the following information: 1) a summary of the original investment thesis, target price, target date, and catalysts; 2) an analysis of important changes to the firm and the industry since the pitch or update; 3) the current thesis, target price, target date, and catalysts. Stocks that have not been pitched or updated in class in the last two quarters require a detailed update of the stock in class to re-qualify the stock for inclusion in the portfolio. Portfolio managers can take positions of up to 1% in stocks not yet pitched (not to exceed a total of 4% of the portfolio). If the stock is not pitched within four weeks, the position must be closed.

ETF positions are meant to control the overall market and style exposure of the funds. The following ETFs can be traded without prior approval: S&P Depositary Receipts (SPY), Vanguard large/small capitalization, value/growth, and total market VIPERS (VV, VB, VUG, VTV, VTI). Other ETF positions must be approved by the instructors and may require a short presentation to the class. Only ETFs that are covered by Barra are eligible. A list of eligible ETFs is posted on the course website.

Position Limits: A position in an individual security should not exceed 8% of the fund’s market value. These limits do not apply to cash or securities that are, themselves, well-diversified, such as exchange traded funds linked to market indices.

The fund’s portfolios need to be structured to avoid incurring unrelated business income tax (UBIT).