**PORTFOLIO MANAGEMENT**

FIN 4813 Section 001, Thu. 4:30 – 7:10 p.m.
North Classroom Building – Room 110
William S. Spears School of Business
Oklahoma State University – Tulsa

**PROF. ALI NEJADMALAYERI, PH.D.**

North Hall Room 305
Office Hours: Tue. 3:00 – 4:15; & by appointment

Phone: (918) 594 – 8399
Email: ali.nejadmalayeri@okstate.edu

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**PREREQUISITES:** FIN 4223 [WITH GRADE “C” OR BETTER]

**COURSE MATERIAL:**

**Required**

The major reference for the course is “Managing Investment Portfolios: A Dynamic Process”, by John L. Maginn, Donald L. Tuttle, Jerald E. Pinto, Dennis McLeavy, (hereafter MDPM). There are two other references for the course: “How to Make Money in Stocks”, by William J. O’Neil (hereafter WJO) and “Ahead of the Curve” by Joseph H. Ellis (hereafter JHE). For more information about the course and other resources can be found at: http://spears.okstate.edu/~nejadma or http://www.aliala.freehomepage.com.

**Optional**

There are also additional optional references for this course, as follows:

- “How to Find the Next Starbucks”, by Michael Moe
- “Winning on Wall Street”, by Martin Zweig
- “Security Analysis”, by Benjamin Graham & David Dodd
- “It’s Earnings that Count”, by Hewitt Heiserman, Jr.

I also strongly urge you to follow the popular financial press and media such as:

- Magazines like Business Week, Money, Fortune, Smart Money, Bloomberg Personal, etc.
- Homepages like MSN Money, Yahoo! Finance, MarketWatch.com, EarningsPower.com
- TV Programs like Mad Money, Kudlow & Company, etc.

**OBJECTIVES**

This course provides a conceptual and theoretical foundation for the activities of prototypical professional investment managers. The focus of the course is on the management of individual and institutional (e.g., pension funds and insurance companies) portfolios. To that end, we start by design of investment policy statement and then delve into topics such as asset allocation, portfolio management styles, and capital markets assessment. Topics such as market microstructure, trade execution, performance measurement and evaluation are also included. To better provide a hands-on experience, we also study popular investment strategies and practice with a fictitious portfolio.
Using a combination of academic discussions, practitioner-oriented readings, Excel™-based assignments, and a simulated investment game, students will be introduced to both the conventional wisdom (e.g., popular investment strategies such as CANSLIM™ method) and state-of-the-art methods (e.g., asset allocation techniques) used in performing many of the mutual fund management functional tasks, including security research, economic forecasting, asset allocation, and portfolio rebalancing.

Your final grade for this course is determined base on the following grade activities:

<table>
<thead>
<tr>
<th>Grade Activity</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1 Mid-term Exam</td>
<td>30</td>
</tr>
<tr>
<td>1 Final Exam</td>
<td>30</td>
</tr>
<tr>
<td>2 Homework Assignments</td>
<td>10</td>
</tr>
<tr>
<td>1 Group Project Report</td>
<td>10</td>
</tr>
<tr>
<td>1 Group Project Presentation</td>
<td>10</td>
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<tr>
<td>Portfolio Manager Game</td>
<td>10</td>
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</tbody>
</table>

Upon completion of the course, the final letter grade will be reported using the following rule:

<table>
<thead>
<tr>
<th>Percentage Point Range</th>
<th>Final Letter Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>89.5% – 100.0%</td>
<td>A</td>
</tr>
<tr>
<td>79.5% – 89.4%</td>
<td>B</td>
</tr>
<tr>
<td>69.5% – 79.4%</td>
<td>C</td>
</tr>
<tr>
<td>59.5% – 69.4%</td>
<td>D</td>
</tr>
<tr>
<td>&lt; 59.5%</td>
<td>F</td>
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</tbody>
</table>

There will be a total of one mid-term and one final exam. All exams combined represent 70% of the final grade of the course. Sample exams are posted as a guideline.

Students must take all of the exams. If for some reason a student must miss an exam, the student must discuss the matter with the instructor before the day of the exam. Otherwise, the student will receive a “zero” for the missed test. **Under any circumstance, NO MAKE–UP TESTS will be given.** Only university–authorized absences will be accepted. **THE FINAL EXAM WILL BE GIVEN ON THURSDAY, MAY 01, 2008 DURING THE TIME PERIOD OF 6:00 P.M. – 7:50 P.M. AS DESIGNATED BY THE SPRING 2007 EXAM SCHEDULE.**

There are two Excel™-based homework assignments and one group project designed to help students apply the concepts in class and textbook in real settings. These homework assignments and are designed to make you (1) learn how and where to find raw data, (2) become proficient users of Excel™
and build rather complicated models with it, and (3) analyze raw data and impute valuable information. These homework assignments account for 10% of your total grade point. The project is designed to further your understanding of crucial concepts of asset allocation and performance evaluation. Each group must hand in their results in a 10-page, double-spaced, font 12 report. Furthermore, each group must present a summary of their findings in front of the class. The project also accounts for 10% of your overall grade.

**Portfolio Game:**

During the semester, groups of four to five will manage four fund tracks: large-growth, large-value, small-growth, and small-value funds. Each group is responsible for (1) selecting stock and (2) allocation of capital. Each group must choose at least 40 and at most 80 stocks for all four funds. No fund can contain less than 10 stocks. Last section explains in details how this game is played and how your performance will be evaluated. The game accounts for 10% of your total grade point.

**Courtesies Rules:**

Students are not allowed to have pagers, cellular phones, laser pointers, electronic games, musical devices, or any other device, which may distract any other student or instructor. These rules are strongly enforced. Respect is expected at all times and cursing or profanity will not be tolerated. No begging, pleading or whining is allowed. If you need some grade to graduate or keep your financial aid, you must earn it.

**Attendance & Preparation Policy:**

Students are expected to attend each class. Attendance will be taken randomly at the beginning of some classes. Students who must miss be absent from a class are responsible for securing any and all course work missed from the other students in the class.

You are expected to come to class prepared. Reading assigned materials, working problems in the text and from previous class lectures, and completing assignments prior to class will enhance your understanding of class lectures and material discussed in the class. If you have questions or problems, please see me during office hours or seek clarification in the next class session. You are expected and encouraged to ask questions in and out of class. If “you” have a question or problem, there are probably several other people in the class with the same question or problem who are waiting for “you” to ask the question.

**Disability Accommodations:**

If any member of the class believes that s/he has a physical, emotional, or psychological disability and needs accommodations of any nature, the instructor will work with you and the university Office of Student Disability Services (Stillwater: SU 315, 744-7116 v/t; Tulsa: 103 North Hall, 594-8354) to provide reasonable accommodations to ensure that you have a fair opportunity to perform in this class. Please advise the instructor of such disability and the accommodations as soon as possible. You will need to also contact the Student Disability Services office in order to receive accommodations. No accommodations will be made without prior notification.
ACADEMIC INTEGRITY:

Oklahoma State University is committed to the maintenance of the highest standards of integrity and ethical conduct of its members. This level of ethical behavior and integrity will be maintained in this course. Participating in a behavior that violates academic integrity (e.g., unauthorized collaboration on homework or assignments, plagiarism, multiple submissions of the same assignment, cheating on examinations, fabricating information, helping another person cheat, having unauthorized advance access to examinations, altering or destroying the work of others, and fraudulently altering academic records) will result in your being sanctioned. Violations may subject you to disciplinary action including the following: receiving a failing grade on an assignment, examination or course, receiving a notation of a violation of academic integrity on your transcript, and being suspended from the University. You have the right to appeal the charge. For more information, students are encouraged to contact the Office of Academic Affairs at 101 Whitehurst or call their office at 405-744-5627. Please see, http://osu.okstate.edu/acadaffr/aa/academicintegrity.htm for details.
## Tentative Course Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Agenda</th>
<th>Assignments Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 10</td>
<td>- Introduction&lt;br&gt;- Chapter 1 [MDPM]: Investment Policy Statement&lt;br&gt;- Chapters 1 - 12 [WJO]: Stock Selection – Basics</td>
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<tr>
<td>Jan 17‡</td>
<td>- Chapters 1 - 12 [WJO]: Stock Selection – Advanced&lt;br&gt;- <strong>INTRODUCTION TO MONEY CENTRAL TOOLS</strong>&lt;br&gt;- <strong>PORTFOLIO GAME BEGINS</strong></td>
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<tr>
<td>Jan 24</td>
<td>- Chapters 1 – 12 [JHE]: The Economy and Stock Market</td>
<td>[<strong>“FundSetup”</strong>]</td>
</tr>
<tr>
<td>Jan 31‡</td>
<td>- Chapters 12 – 16 [JHE]: Macroeconomic Indicators&lt;br&gt;- Chapter 4 [MDPM]: Capital Market Expectations&lt;br&gt;- Chapter 4 [MDPM]: Capital Market Expectations</td>
<td>[<strong>EXCEL FILES DUE</strong>]</td>
</tr>
<tr>
<td>Feb 07</td>
<td>- Chapter 2 [MDPM]: Individual Investor Portfolios</td>
<td>HW 1 Due</td>
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</tbody>
</table>
| Feb 14     | - Chapter 5 [MDPM]: Asset Allocation                                 | [**EXCEL FILES DUE**]<br>**HW 1 Due** |</table>

| Feb 28‡    | - Chapter 5 [MDPM]: Asset Allocation                                 |                                      |
| Mar 06     | **MID-TERM EXAM**<br>- **CHAPTERS 1 – 5 [MDPM]**<br>- **CHAPTERS 1 – 16 [JHE]** |                                      |
| Mar 13‡    | - Chapter 12 [MDPM]: Evaluating Portfolio Performance                 | [**EXCEL FILES DUE**]                 |
| Mar 27‡    | - Chapter 12 [MDPM]: Evaluating Portfolio Performance<br>- Chapter 10 [MDPM]: Execution of Trades |                                      |
| Apr 10     | - Chapter 7 [MDPM]: Equity Portfolio                                 |                                      |
| Apr 17     | - Chapter 8 [MDPM]: Alternative Portfolio                            |                                      |
| Apr 24     | - **PRESENTATIONS/MOVIE NIGHT + LATE HAPPY HOUR**<br>- **PORTFOLIO GAME ENDS** | Reports Due<br>[**ALL FILINGS DUE**]   |
| May 01     | **FINAL EXAM; 6:00 P.M. – 7:50 P.M.**<br>- **CHAPTERS 7, 8, 10, 12 [MDPM]**<br>- **MOVIE NIGHT** |                                      |

† Class meets in the computer lab **MCB 2324**
OBJECTIVE:

The objective of this game is to give you a “real” feel of how fund management works. Since actively managed funds are mostly categorized by the size and growth characteristic of the stocks they select, we focus our attention to four major styles: large-growth, large-value, small-growth, and small-value.

HOW TO BEGIN:

Each student must first setup an account with Virtual Stock Exchange (see the course page for links). This allows us to track everyone’s performance throughout the semester. There are four different competition: large-growth stocks (ID: FIN4813L G07S), large-value stocks (ID: FIN4813LV07S), small-growth stocks (ID: FIN4813SG07S), and small-growth stocks (ID: FIN4813SV07S). Each of these portfolios should mimic the corresponding Russell indexes (or their ETFs): Russell 1000 growth (IWF) for large-growth stocks, Russell 1000 value (IWD) for large-value stocks, Russell 2000 growth (IWO) for small-growth stocks, and Russell 2000 value (IWN) for small-growth stocks. YOU NEED TO FILE “FUNDSETUP” TO REGISTER YOUR FUND FAMILY WITH ME. On each reporting date, you also need to file GRPRPT.xls. You can download GRPRPT.xls file from course homepage.

GUIDELINES:

Each group must contain a total of at least 40 at most 80 stocks in their funds. Each fund should have at least 10 and at most 20 stocks. Each stock should have a minimum 5% and maximum 15% weight in your portfolio. You CANOT purchase bonds, short-sell stocks, invest in options or futures, or borrow funds. YOU ARE ALLOWED TO PURCHASE US STOCKS, ETFs (EXCHANGE TRADED FUNDS), ADRs (AMERICAN DEPOSITORY RECEIPTS), AND REITS (REAL ESTATE INVESTMENT TRUSTS). You may be 100% invested in your relevant benchmark ETF. You may sell or buy at any time, but for every transaction a $10 fee will deducted from your portfolio.

RULES OF CONDUCT:

For every filing violation, including late filing, errors in documents, etc., you WILL BE FINED $2000 virtual money per occasion. For every substantive violation, such as overloading or underloading stocks, purchase or sale of prohibited securities, deliberate fudging of reports, etc., you will BE FINED $10000 virtual money per occasion. If the number of violation exceed 5 or the total fines surpasses $30000, you WILL BE ELIMINATED from the game and loose 10% of total grade point.

EVALUATION:

Upon completion of the game, your group and individual performances will be determined based on a 5–20 rule: so long as you beat the relevant benchmark, you will receive the full 5 points for each of the individual and group portions of the game. Additionally for every percentage of outperformance you will receive 20 basis points of bonus. Note however, failure to meet your benchmark would cause a one-for-one point deduction. For every percentage of underperformance you will loose one percentage point of grade. You and your group cannot loose more than the allotted points for each activity. The overall grade is the sum of the group’s percentage scores for each fund track.
Form “FundSetUp”

Fund Family Name:

Large Value Fund: __________________________________

Manager Name: ________________________________

Manager Nickname: ________________________________

Large Growth Fund: __________________________________

Manager Name: ________________________________

Manager Nickname: ________________________________

Small Value Fund: __________________________________

Manager Name: ________________________________

Manager Nickname: ________________________________

Small Growth Fund: __________________________________

Manager Name: ________________________________

Manager Nickname: ________________________________