

Fall 2021

FBE 453 A/B – Advanced Practicum in Investment Management

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| Class Meetings: | Wednesdays 2:00-5:50 at Bridge Hall 203 |
| Team Meetings: | Weekly |
| Company Visits: | Tentative, Fridays (time varies) |
| Professor: | Shane Shepherd |
| Office: | HOH 217 |
| Email: | shaneshe@marshall.usc.edu |
| Office Hours: | By appointment, in person or via zoom |
| Zoom Link: | https://uscmarshall.zoom.us/j/4937111266 |
| SIF Community Site: | https://uscmsb.sharepoint.com/sites/SIF |
| USIF Website: | Undergraduate Student Investment Fund USC Marshall |

Course Description

This course offers a year-long experiential learning course in security analysis and investment management. It is designed to give students rigorous exposure to the theory and practice of contemporary investment and portfolio management. It also allows the students to learn the skills of money managers through interaction with individuals and institutions engaged in the money management business. Analytical tools for the valuation of stocks, bonds, and derivatives (options and futures) will be presented. The course will also cover risk management and portfolio optimization, active and passive investing, behavioral finance, and performance attribution. Students will demonstrate and refine their ability to apply analytical concepts and techniques through fund management, sector/ETF reports, company research reports, investment research, stock picking exercises, and an annual report.

The purpose of this seminar is fourfold:

1. To provide a select group of up to 20 USC Marshall undergraduate students with experience in managing a portion of the University's endowment;
2. To provide an academic background for the appreciation of security analysis and portfolio management through class lectures, assigned readings, and self-selected readings;
3. To enhance the academic experience through interaction with individuals and institutions engaged in the money management business;
4. To produce and present an Annual Report which will provide description of the course experience and a record of achievement.

The students are selected based on their genuine interest in pursuing a long-term career in asset management and/or investment banking. The number of students allowed to enroll in this two-semester program is limited to 20 so that (a) each student may have direct, hands-on experience in portfolio management and (b) the class, as a group, can visit with a variety of money managers (pending COVID protocols). The class requires a daytime availability on Wednesdays and Fridays so that the student managers can meet with each other and make off-campus visits during normal business hours. The expected time commitment is 10-12 hours a week. For the 2022 class, the student managers have assumed fund management responsibilities as of April 1, 2021 and will relinquish this responsibility as of March 31, 2022.

Course Focuses

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| Summer: | Sector/ETF Report; Initial Portfolio Rebalancing |
| Fall: | Financial Analysis and Security Valuation; Risk Management and Portfolio Optimization; Active vs. Passive Investing; Performance Attribution; Investor Letters; Stock/ETF Pitches |
| Spring: | Fixed Income Investing; Derivatives; Investor Letters; Stock/ETF Pitches; Company/ETF Research Reports; 2022 Annual Report |

USC Marshall Undergraduate Student Investment Fund Guidelines

See Appendix A (also posted on the USIF Community site under “About the Funds / Fund Guidelines”)

Course Materials

1. Required: *Investments*, by Bodie, Zvi, Alex Kane and Alan J. Marcus, McGraw-Hill Irwin, 12th Ed., 2021.
2. Optional Reading:
 - *Stocks for the Long Run* by Jeremy Siegel
 - *A Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing* by Burton G. Malkiel
 - *Irrational Exuberance* by Robert J. Shiller
 - *Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets* by Nassim Nicholas Taleb
 - *Liar's Poker: Rising Through the Wreckage on Wall Street* by Michael Lewis
 - *The Big Short* by Michael Lewis
 - *When Genius Failed: The Rise and Fall of Long-Term Capital Management* by Roger Lowenstein
 - *Inventing Money: The Story of Long-Term Capital Management and the Legends Behind It* by Nicholas Dunbar
 - *Reminiscences of a Stock Operator* by Edwin Lefevre
 - *The Intelligent Investor* by Benjamin Graham
 - *The Education of a Value Investor* by Guy Spier
 - *The Most Important Thing: Uncommon Sense for the Thoughtful Investor* by Howard Marks (2011)
 - *The Wall Street Journal, Economist, Barron's, Business Week, Forbes*
3. Calculator: An HP 12C, 17B, or 19B calculator is strongly recommended.
4. USIF Community Site and USC Blackboard Course Pages: All information for this course, including announcements, assignments, and other resources, will be posted on the USIF Community Site. In addition, the Fund reports, trade confirmations, stock pitches write up, investment decisions/records, etc. will be posted on the USIF Community Site. As a result, USC Blackboard Course Pages, <https://blackboard.usc.edu> will be used as a backup system. If you have any questions or need assistance with the Blackboard Course Pages, please contact the Marshall Help Desk at (213) 740-3000 or HelpDesk@marshall.usc.edu.
5. USC Marshall Library Resources: These resources are to be used for academic purposes only and not at internship sites.
 - Kimberly Esser, Business Information Specialist, (213) 740-6255, kimberle@usc.edu
 - Gaughan & Tiberti Business Library Library Front Desk, (213) 740-8520

Prerequisites and/or Recommended Preparation:

You are expected to have completed FBE 421 as the prerequisite and FBE 441 as a co-requisite.

Class Expectations:

You are expected to have completed any assigned reading(s) prior to class. While in the classroom, it is very important that you give your undivided attention to the classroom discussion. In addition, you are expected to stay abreast of current issues in the economy and financial markets as we will spend time each week discussing the current macroeconomic environment. We strongly recommend that you subscribe to a daily business journal (e.g., the *Wall Street Journal*).

Because of the experiential nature of the course, attendance/participation is important. If you expect to miss a class, please email me by 8:00AM on the day of the class you are missing with a simple explanation. You are responsible for any absences from class. If you miss a class session, get notes and materials from your fellow group members. A “buddy system” is highly recommended. Arrange with your group members to pick up extra handouts.

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to as early in the semester as possible. DSP is located in STU 301 and is open 8:30AM - 5:00PM Monday through Friday. The phone number for DSP is (213) 740-0776.

Grading Policies:

- Class Participation: Lectures/Guest Lectures, Company Visits, Security Pitches, Special Projects, and Weekly Macroeconomic Discussions: [20%]
- Portfolio Management & Briefings: Portfolio Briefing, Earnings Call Summary, Investor Letter, other deliverables: [20%]
- Stock/ETF Pitches (3): [25%]
- Fund Analysis (3): [15%]
- Sector/ETF Reports: [20%]
- TOTAL: 100%

Class Participation: Active class participation is strongly encouraged since the class is structured as a seminar. The class participation grade will reflect our assessment of both the quantity and quality of a student's individual contribution to the classroom learning environment. It is expected that you will actively engage our guest speakers with questions. Be prepared for "cold-calling" in all class meetings. Note that regular attendance is necessary for class participation; however, it is not sufficient for a higher grade.

Class Participation consists of the following components:

- Lectures / Guest Lectures: In addition to participating in classroom discussions, students are responsible for asking questions in each guest lecture. You are encouraged to actively participate in discussions with professionals in the investment industry.
- Special Projects: Actively participate in improving USIF operations, building USIF alumni networks, arranging new company visits, inviting new guest speakers, recruiting and mentoring the new USIF class, and marketing the USIF program (through various media, writing articles, managing websites, etc.)

Portfolio Management and Briefings

- Fund Management: In addition to active portfolio management, the student managers are responsible for creating investment screening templates, building valuation spreadsheet models, developing portfolio tracking and financial reporting templates, and refining stock pitching tear-sheet templates.
- Portfolio Briefings: Portfolio briefings are designed to provide opportunities for all fund members to be active in the fund management, to stay abreast of what is going on with the other sectors, and to understand what the other managers are thinking with respect to the market.
 - Portfolio briefings (aka weekly holdings updates): On a weekly basis, the Trade committee will provide an overall portfolio update at the start of the class. If a stock has moved by more than 5%, the sector specialists will review and highlight key developments in the companies/sectors and the associated impact on the USIF portfolio.
 - Individual portfolio briefing: This is a 5-minute discussion led by fund managers. Each fund manager provides a summary update on the sectors and stocks he/she covers.
 - Earnings Call Summary: Three days after the earnings conference call, if you are the primary/secondary manager, post a one-page summary of the conference call on the USIF Community Pages
- Reflection of Fund Managers: Submit a one-page, up to 350 words, executive summary of the lessons learned in valuing a firm and/or managing the fund, or an investment idea that the USIF might want to develop and implement in the future.
- Annual Meeting Presentation: A fund-based presentation includes a 15-minute presentation and a 30-minute Q&A. [Spring Semester]

Stock/ETF Pitches

- This assignment is designed to give you an opportunity to recommend a new S&P500 stock for the USIF portfolio, and a new ETF for the SAAF. You will learn to quantify your recommendations and concisely make your recommendations verbally and in writing. It will also acquaint you with some of the practical problems associated with the estimation of parameters upon which financial managers must rely in making investment decisions. The written report will serve as the tear-sheet for your verbal stock pitching. This consists of a one-page written report and a three-minute verbal presentation (No PowerPoint slides are allowed during the presentation), followed by a 12-minute Q&A and feedback. Students will also participate in the grading of this exercise. See Appendix B for assignment details.

Sector and Asset Class Reports:

- This assignment is designed to give you an opportunity to analyze a sector or ETF Asset Class and recommend investment opportunities to USIF 2022 for the next 12-36 months. See Appendix C for assignment details. Your report will address the following questions:
 - Sector or Asset Class analysis: What is your sector or asset class outlook? And why? Do you recommend that USIF 2022 overweight or underweight this sector or asset class? And, why?
 - Presentations/Exchanges of ideas

Fund Analyses:

- These are designed to help you familiarize yourself with the USIF portfolios. Each student will submit a report for each of the three deliverables. Assignment details can be found on the Course Outline section. Late assignments will not be accepted.

INVESTMENT TOOLS

Below contains a description taken from the various websites of the associated financial analytics. These resources are to be used for academic purposes only and not at internship sites.

- Bloomberg
- Capital IQ
- FactSet
- Pitchbook
- MergerMarket
- USC Marshall Online Resources

COURSE CALENDAR

| | Topics/ Daily Activities |
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| Week 1 8/25 | <p>Course Overview</p> <p>Timeline of fund management</p> <ul style="list-style-type: none"> • September-March: Rebalance the SAAF monthly, if appropriate • September: Know the sectors/ETFs and the benchmark • October: Rebalance the active portion of the USIF stock fund • November: Rebalance the passive portion of the USIF stock fund • January-February: Write/update company/ETF research reports • March: Rebalance active and passive portions of USIF stock fund • April: Evaluate the fund performance, write annual report and hold annual meeting • Recruit USIF 2021 (October-January: Hold Monthly USIF Information Sessions; February: Interview; March: Transition) <p>Course design and fund management</p> <ul style="list-style-type: none"> • Lectures/Articles • Sector reports, stock pitches, company research reports, earnings call summary, and quarterly investor letters (All managers) • Macroeconomic overview weekly discussions • Weekly fund updates (Trading Committee and All managers) • Monthly fund accounting updates (Reporting Committee) • Performance attribution reports (Operation Committee) • Guest Speakers and tear-sheets • Forward Looking—CFA IRC, Team leads for valuation templates, 2023 Recruiting/Marketing, Alumni Networking, and 2022 Annual Report <p>Portfolio Review and Briefing:</p> |

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| | <ul style="list-style-type: none"> • According to BNY-Mellon Statements, what is the AUM, current holdings, portfolio weights, and YTD performance for the USIF Stock Fund (Cash, Active and Passive) and the SAAF? <p>Individual Portfolio Briefings:</p> <ul style="list-style-type: none"> • Each manager provides briefings on the stocks/ETFs that s/he covers (3-5 minutes per manager) • What are the USIF and S&P500's sector weights, respectively? • Who are the primary and secondary analysts for each fund holding—updated after summer internships? • What have you learned from your summer internship that might be useful for USIF? <p>Lecture Topic 1: The Goals and Process of Portfolio Management</p> <ul style="list-style-type: none"> • What is asset allocation? • What styles of investment management exist? • What is the business model of investment management? <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapters 4 & 26 • Stanley Druckenmiller Lost Tree Club Speech 2015 <p>Discussion:</p> <ul style="list-style-type: none"> • What are the salient points the Druckenmiller speech? • What is USIF's investment goals and investment process—in particular, what are your comparative advantages, valuation methodology, risk management and investment discipline? |
| <p>Week 2 9/1</p> | <p>Weekly Macroeconomic Discussion Portfolio Briefing (20 min)</p> <p>Lecture Topic 2: Portfolio Evaluation and Performance Attribution</p> <ul style="list-style-type: none"> • Sector allocation • Security selectivity • The interactive effect of sector allocation and security selectivity <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapter 24 • Brinson Performance Attribution Notes <p>Discussion: How do you attribute USIF's fund performance?</p> <p>Lecture Topic 3: Investment Environment, Capital Markets & Historical Perspective; Building Blocks Models</p> <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapters 1 & 5 • "The Anatomy of a Rally," Howard Marks, Oaktree Capital, June 2020 • "Time for Thinking," Howard Marks, Oaktree Capital, August 2020 <p>Discussion (What are the tidal waves?):</p> <ul style="list-style-type: none"> • Short-term outlook for September 2021-March 2022 • Longer-term outlook: Q3 '21-Q3 '25 • USIF 2021 sector views—what are the preliminary sector outlooks/weightings? <p>Discussion: market expectations</p> <ul style="list-style-type: none"> • Where are we for 2021-2022? • How should the macroeconomic environment impact returns? • Building Blocks models • Longer term outlook |

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| <p>Week 3 9/8</p> | <p>Sector and Asset Reports and Slide Decks due (posted on USIF SharePoint Site)</p> <p>Weekly Macroeconomic Discussion Portfolio Briefing (20 min)</p> <p>Lecture Topic 4: ETFs and Asset Allocation (I) Readings: BKM, Chapters 2 & 17</p> <p>Lecture Topic 5: Security Analysis (I)</p> <ul style="list-style-type: none"> • Macroeconomic & Industry Analysis • Fundamental & Technical Analysis <p>ETF Report Presentations: (5-minute presentation and 10-minute Q&A per manager)</p> <p>Determine the preliminary asset class weights for the SAAF & Review portfolio holdings by Asset Class:</p> <ul style="list-style-type: none"> • Should USIF over- or under-weight the asset class, and by how much? • Should the asset class be comprised of a core and satellite positions? • What current holdings do you recommend that USIF liquidate and how would you identify your ETF pitch candidates? <p>S&P Sector Report Presentations: (5-minute presentation and 10-minute Q&A per manager)</p> <ul style="list-style-type: none"> • |
| <p>Week 4 9/15</p> | <p>Weekly Macroeconomic Discussion Portfolio Briefing (20 min)</p> <p>ETF Report Presentations: (5-minute presentation and 10-minute Q&A per manager)</p> <p>S&P Sector Report Presentations: (5-minute presentation and 10-minute Q&A per manager)</p> <p>Lecture Topic 6: Security Analysis (II)</p> <ul style="list-style-type: none"> • Macroeconomic & Industry Analysis • Fundamental & Technical Analysis • Research Tools (Bloomberg, FactSet, Capital IQ) <p>Determine the sector weights for the USIF Fund & Review portfolio holdings by Sector:</p> <ul style="list-style-type: none"> • Should USIF over- or under-weight the sector, and by how much? • How many positions should USIF hold? What are the costs and benefits of a concentrated portfolio and a diversified portfolio, respectively? • What current holdings do you recommend that USIF liquidate and how would you identify your stock pitch candidates? <p>Fund Analysis 1 Due: Know the USIF portfolios and effectively screen for new investment ideas. (Submit your analysis via posting on the USIF community site under ‘General/Fund Analysis’)</p> <ol style="list-style-type: none"> 1. What are the financial characteristics and trading multiples for the USIF stock fund and SAAF? <ul style="list-style-type: none"> • What are the financial ratios, including revenue growth rate, operating margin, net profit margin, debt/EBITDA, and debt/EV for your sectors and your stocks? • Based on the financial characteristics, are your stocks financially stronger than their peers? • What are the trading multiples, including P/S, P/E (LTM), P/E (NTM), P/B, EV/EBITDA, and PEG for your sectors and your stocks? Based on market comparables, are your stocks undervalued? 2. Use Capital IQ and/or FactSet to screen for stock/ETF ideas for your sector. |

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| | <ul style="list-style-type: none"> • What are your screening criteria and why? • How many stocks are there in your sub-investment universe and how many stocks have met your screening criteria? • Which of the top three stocks/ETFs would you engage in a deep-dive analysis and why? (post on the USIF Sharepoint site – ‘General/Fund Analyses’) |
| Week 5 9/22 | <p>Weekly Macroeconomic Discussion Portfolio Briefing (20 min)</p> <p>Lecture Topic 7: Security Pitches</p> <ul style="list-style-type: none"> • Tear Sheet and Appendices • Valuation Template • Putting Together a Pitch <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapters 17-18 • Valuation Notes <p>Discussion:</p> <ul style="list-style-type: none"> • How do you use the USIF valuation template? Can you enhance it? • How do you pitch a stock? <p>Lecture Topic 8: ETFs and Asset Allocation (II)</p> <p>Readings:</p> <ul style="list-style-type: none"> • “Inefficiencies in the Pricing of Exchange-Traded Funds,” Financial Analysts Journal, First Quarter 2017 • “The Index Mutual Fund: 40 Years of Growth, Change, and Challenge,” J. Bogle, Financial Analysts Journal, January/February 2016 |
| Week 6 9/29 | <p>Weekly Macroeconomic Discussion Portfolio Briefing (20 min)</p> <p>Stock Pitches #1A by 10 Managers</p> <ul style="list-style-type: none"> • What new S&P 500 stocks should USIF buy? And what is the impact of buy/sell decisions on the portfolio? • 3- minute pitch, followed by a 10-minute Q&A and 2-minute feedback per manager; the written report, i.e., the tear sheet, is due on the prior Monday—see requirements under the section of “Stock Pitch” <p>Guest Speaker #1: Michael Reilly, TCW (2:00-3:30)</p> |
| Week 7 10/6 | <p>Weekly Macroeconomic Discussion Portfolio Briefing (20 min)</p> <p>SAAF Allocation Discussion (20 min)</p> <p>Stock Pitches #1B by 10 Managers</p> <ul style="list-style-type: none"> • What new S&P 500 stocks should USIF buy? And, what is the impact of buy/sell decisions on the portfolio? • 3- minute pitch, followed by a 10-minute Q&A and 2-minute feedback per manager; the written report, i.e., the tear sheet, is due on the prior Monday—see requirements under the section of “Stock Pitch” <p>Topic 9: Fixed Income Investing (I)</p> <ul style="list-style-type: none"> • Principles of bond prices, spreads and duration |

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| | <ul style="list-style-type: none"> • Introduction to portfolio management <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapters 14-16 • Bond Notes |
| Week 8 10/13 | <p>Weekly Macroeconomic Discussion Portfolio Briefing (20 min)</p> <p>Rebalance the active portion of the USIF Portfolio—All Managers Rebalance SAAF—All Managers (1)</p> <p>Lecture Topic 10: Portfolio Construction & Management (I)</p> <ul style="list-style-type: none"> • Risk, Risk Aversion, & Return • Portfolio Optimization <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapters 6-8 • Portfolio Notes • “Active Share and Mutual Fund Performance,” A. Petajisto, Financial Analysts Journal, July/Aug. 2013 <p>Discussion:</p> <ul style="list-style-type: none"> • What are the salient points of Petajisto article? • Discuss Financial Analysis 2—What do you know about USIF portfolio risk? <p>ETF Pitches #2A by 10 Managers</p> <ul style="list-style-type: none"> • What new ETFs should USIF buy, and, what is the impact of buy/sell decisions on SAAF? • 3-minute pitch, followed by a 10-minute Q&A and 2-minute feedback per manager; the written report, i.e., the tear sheet, is due on the prior Monday—see requirements under the section of “SAAF Pitch” |
| Week 9 10/20 | <p>Weekly Macroeconomic Discussion Portfolio Briefing (20 min)</p> <p>Current Events & SAAF Allocation Discussion (20 min)</p> <p>ETF Pitches #2B by 10 Managers</p> <ul style="list-style-type: none"> • What new ETFs should USIF buy, and, what is the impact of buy/sell decisions on SAAF? • 3-minute pitch, followed by a 10-minute Q&A and 2-minute feedback per manager; the written report, i.e., the tear sheet, is due on the prior Monday—see requirements under the section of “SAAF Pitch” <p>Continue SAAF Rebalancing – All Managers (1)</p> |
| Week 10 10/27 | <p>Weekly Macroeconomic Discussion Portfolio Briefing (20 min)</p> <p>Finalize SAAF Rebalancing – All Managers</p> <p>Lecture Topic 11: Fixed Income Investing (II)</p> <ul style="list-style-type: none"> • Active Portfolio Strategies • Credit Analysis <p>Readings:</p> |

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| | <ul style="list-style-type: none"> • BKM, Chapters 14-16 • Bond Notes <p>Guest Speaker #2: Sam Foster, USC Endowment (2:00 – 3:30)</p> <p>Fund Analysis 2 due—Quantify the risk/volatility of the USIF fund.</p> <ul style="list-style-type: none"> • Submit your analysis via posting on the USIF community site under ‘General/Fund Analysis’ • The USIF Stock Fund <ul style="list-style-type: none"> ○ What are USIF fund’s sector weights? ○ How diversified/concentrated is the USIF fund? ○ How many pairs of correlation coefficients do you have in USIF? What are the correlation coefficients of the returns on the securities held in the fund? ○ How correlated is the USIF fund with its benchmark? ○ Relative to its benchmark, is the USIF fund more or less risky (measured by total risk and beta)? ○ What is the total risk of each asset and the USIF Fund, respectively? ○ What is the beta of each asset and the USIF Fund, respectively? Where does your beta come from? Did you estimate it? If so, how? • The SAAF <ul style="list-style-type: none"> ○ What are USIF fund’s asset class weights? ○ How diversified/concentrated is the USIF fund? ○ How many pairs of correlation coefficients do you have in the SAAF? What are the correlation coefficients of the returns on the securities held in the fund? ○ How correlated is the SAAF fund with its benchmark? ○ Relative to its benchmark, is the USIF fund more or less risky (measured by total risk and beta)? ○ What is the total risk of each asset and the USIF Fund, respectively? ○ What is the beta of each asset and the USIF Fund, respectively? |
| Week 11 11/3 | No Class (NYC Trip) |
| NYC Trip 11/4-11/5 | See Itinerary |
| Week 12 11/10 | <p>Weekly Macroeconomics Discussion Portfolio Briefing (20 min)</p> <p>Lecture Topic 12: Portfolio Construction & Management (II)</p> <ul style="list-style-type: none"> • CAPM and Fama-French Three-Factor Model <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapter 9 and 13.3 • “Fundamental Indexation,” R. Arnott, J. Hsu and P. Moore, Financial Analysts Journal, March/April 2005. • John Cochrane on the “Factor Zoo” • Jan van Eck on Successful Thematic Investing, Masters in Business (Bloomberg) Podcast <p>Establishing a watch list: Stock or ETF Pitches #3A</p> <ul style="list-style-type: none"> • What new S&P500 stocks and ETFs could USIF buy? • 3-minute pitch, followed by a 10-minute Q&A and 2-minute feedback per manager; the written report, i.e., the tear sheet, is due on the prior Monday—see requirements under the section of “SAAF Pitch” <p>Rebalance SAAF—All Managers (2)</p> |
| Week 13 | Weekly Macroeconomics Discussion |

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| 11/17 | <p>Portfolio Briefing (20 min)</p> <p>Finalize SAAF Rebalancing—All Managers</p> <p>Establishing a watch list—Stock or ETF Pitches #3B</p> <ul style="list-style-type: none"> • What new S&P500 stocks and ETFs could USIF buy? • 3-minute pitch, followed by a 10-minute Q&A and 2-minute feedback per manager; the written report, i.e., the tear sheet, is due on the prior Monday—see requirements under the section of “SAAF Pitch” <p>Guest Speaker #3 (tentative)</p> |
| Week 14 11/24 | Thanksgiving Break |
| Week 15 12/1 | <p>Weekly Macroeconomics Discussion</p> <p>Portfolio Briefing (20 min)</p> <p>Fund Analysis 3 due—How do you quantify the risk of the USIF fund?</p> <ul style="list-style-type: none"> • Using Fama-French 3 Factor Model to estimate the risk of USIF active portfolio and S&P500 Index <ul style="list-style-type: none"> ◦ Relative to S&P500, what risk characteristics do USIF exhibit? For example, does USIF active portfolio tilt toward large growth stocks? • Based on the risk characteristics of USIF active portfolio, identify 10 ETFs that can be used to reduce the tracking errors of USIF (relative to S&P500). Which ETFs do you recommend that USIF hold to minimize the tracking errors of the overall USIF portfolio? (post on the USIF Sharepoint site – ‘General/Fund Analyses’) <p>Rebalance the passive portion of the USIF Portfolio: Recommendations on ETFs—Presented by the Completion Fund Committee (cont’d)</p> <p>Forward looking—Jan. 13, 2021:</p> <ul style="list-style-type: none"> • USIF 2022 Recruiting: Schedule (Resumes, Applications, Supplemental Information on applicants) and Questions/Objectives/Evaluations • Portfolio Briefing—All Managers • USIF Performance Attribution Report—Presented by the Operations & Compliance Committee • USIF Financial Statements ending Sept. 30, 2020—Presented by the Reporting Committee |
| 12/3 | Investor Letter (ending September 30, 2021)—email submission by 2pm |
| 12/10 2:00 – 4:00 | No Final Exam for this class |

USC Statement on Academic Conduct and Support Systems

Academic Conduct:

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Part B, Section 11, “Behavior Violating University Standards” policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, policy.usc.edu/scientific-misconduct.

Support Systems:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call
studenthealth.usc.edu/counseling

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-9355(WELL), press “0” after hours – 24/7 on call
studenthealth.usc.edu/sexual-assault

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED) - (213) 740-5086 | Title IX – (213) 821-8298
equity.usc.edu, titleix.usc.edu

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298
usc-advocate.symplicity.com/care_report

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity |Title IX for appropriate investigation, supportive measures, and response.

The Office of Disability Services and Programs - (213) 740-0776
dsp.usc.edu

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

USC Campus Support and Intervention - (213) 821-4710
campussupport.usc.edu

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity at USC - (213) 740-2101
diversity.usc.edu

Information on events, programs and training, the Provost’s Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call
dps.usc.edu, emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call
dps.usc.edu

Non-emergency assistance or information.

Students with Disabilities

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Student Accessibility Services (<https://dsp.usc.edu/>). OSAS provides certification for students with disabilities and helps arrange the relevant accommodations. Any student requesting academic accommodations based on a disability is required to register with the Office of Student Accessibility Services (OSAS) each semester. A letter of verification for approved

accommodations can be obtained from OSAS. Please be sure the letter is delivered to me (or to your TA) as early in the semester as possible. OSAS is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for OSAS is (213) 740-0776. Email: ability@usc.edu.

Emergency Preparedness/Course Continuity

In case of a declared emergency if travel to campus is not feasible, the *USC Emergency Information* web site (<http://emergency.usc.edu/>) will provide safety and other information, including electronic means by which instructors will conduct class using a combination of USC's Blackboard learning management system (blackboard.usc.edu), teleconferencing, and other technologies.

Incomplete Grades

A mark of IN (incomplete) may be assigned when work is not completed because of a documented illness or other “emergency” that occurs after the 12th week of the semester (or the twelfth week equivalent for any course that is scheduled for less than 15 weeks).

An “emergency” is defined as a serious documented illness, or an unforeseen situation that is beyond the student's control, that prevents a student from completing the semester. Prior to the 12th week, the student still has the option of dropping the class. Arrangements for completing an IN must be initiated by the student and agreed to by the instructor prior to the final examination. If an Incomplete is assigned as the student's grade, the instructor is required to fill out an “**Assignment of an Incomplete (IN) and Requirements for Completion**” form which specifies to the student and to the department the work remaining to be done, the procedures for its completion, the grade in the course to date, and the weight to be assigned to work remaining to be done when the final grade is computed. Both the instructor and student must sign the form with a copy of the form filed in the department. Class work to complete the course must be completed within one calendar year from the date the IN was assigned. The IN mark will be converted to an F grade should the course not be completed within the time allowed.

Undergraduate Program Learning Goals and Objectives (last update 12/21/17)

Learning goal 1: Our graduates will demonstrate critical thinking skills so as to become future-oriented problem solvers, innovators and decision makers in diverse and rapidly changing business environments.

- Students will demonstrate the ability to anticipate, identify and solve business problems. They will be able to identify and assess central problems, identify and evaluate potential solutions, and translate a chosen solution to an implementation plan that considers future contingencies
- Students will demonstrate the ability to be accurate, clear, expansive (thorough, detailed) and fair-minded in their thinking
- Students will critically analyze concepts, theories and processes by stating them in their own words, understanding key components, identifying assumptions, indicating how they are similar to and different from others and translating them to the real world
- Students will be effective at gathering, storing, and using qualitative and quantitative data and at using analytical tools and frameworks to understand and solve business problems
- Students will understand the concepts of critical thinking, entrepreneurial thinking and creative thinking as drivers of innovative ideas

Learning Goal 2: Our graduates will develop people and leadership skills to promote their effectiveness as business managers and leaders in the 21st century's evolving work and organizational structures.

- Students will recognize, understand and analyze the roles, responsibilities and behaviors of effective managers and leaders in diverse business contexts e.g., functionally diverse, culturally diverse, geographically diverse, etc.
- Students will understand factors that contribute to effective teamwork including how to elicit, manage and leverage diverse perspectives and competencies.
- Students will recognize, understand, and analyze the motivations and behaviors of stakeholders inside and outside organizations (e.g., teams, departments, consumers, investors, auditors)

Learning Goal 3: Our graduates will be effective communicators to facilitate information flow in organizational, social, and intercultural contexts.

- Students will identify and assess diverse personal and organizational communication goals and audience information needs
- Students will demonstrate an ability to gather and disseminate information and communicate it clearly, logically, and persuasively in professional contexts
- Students will understand individual and group communications patterns and dynamics in organizations and other professional contexts

Learning goal 4: Our graduates will demonstrate ethical reasoning skills, understand social, civic, and professional responsibilities and aspire to add value to society.

- Students will recognize ethical challenges in business situations and assess appropriate courses of action
- Students will understand professional codes of conduct

Learning goal 5: Our graduates will develop a global business perspective. They will understand how local, regional, and international markets, and economic, social and cultural issues impact business decisions so as to anticipate new opportunities in any marketplace.

- Students will understand that stakeholders, stakeholder interests, business environments (legal, regulatory, competitor) and business practices vary across regions of the world
- Students will understand how local, regional and global markets interact and are impacted by economic, social and cultural factors.

Learning goal 6: Our graduates will understand types of markets and key business areas and their interaction to effectively manage different types of enterprises.

- Students will demonstrate foundational knowledge of core business disciplines, including business analytics and business economics
 - Students will understand the interrelationships between functional areas of business so as to develop a general perspective on business management
 - Students will apply theories, models, and frameworks to analyze relevant markets (e.g. product, capital, commodity, factor and labor markets)
 - Students will be able to use technologies (e.g., spreadsheets, databases, software) relevant to contemporary business practices
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