Finance 450 Section 01 (11091)  
Applied Portfolio Management I  
Fall 2021

Instructor  Dr. Mark K. Pyles  
Class  4:00 – 5:15 TR Tate 207  
Office  414 Beatty Center  
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Office Hours  TR: 11:00 – 12:00  
W: 11:00 – 12:00; 1:00 – 3:00

DESCRIPTION  
This course presents an opportunity for advanced application of investment theory in a real-world environment. Course content will center on asset valuation, portfolio analysis, and active portfolio management. Investment analysis will be completed on a variety of public asset types, including equity, debt, derivatives, funds, and real assets.

PREREQUISITES  
Permission of the instructor. Students must apply for enrollment.

OBJECTIVES  
Course Objectives  
Successful completion of this course will entail the student has a working knowledge in:  
• financial market operations, both domestic and global  
• public asset investments valuation methods  
• portfolio theory  
• equity, debt, derivatives and real asset trading  
• portfolio creation and performance evaluation  
• understanding group dynamic  
• written and verbal communication  
• utilizing technological tools associated with the profession

SB Objectives  
Consistent with the goals of the School of Business, this course includes instruction in:  
Communication Skills: Students will extensively test their ability to effectively communicate with fellow students, instructors, and financial professionals. The nature of the course and the associated real world application of the management of funds requires students be prepared to defend their portfolio selections both internally and externally to the School and College. Students will complete numerous written and verbal reports during the course of the semester, many of which will be shared with external groups, including College leadership, financial professionals, and potential employers.  
Quantitative Fluency: A high level of quantitative fluency is a necessity in the field of investments. During the course, students will apply traditional mathematical tools in firm and asset valuation and portfolio performance. In addition, students will use, to a high degree, technological tool to aid in
investment decisions. Doing so requires absorbing and organizing the mass amounts of quantitative information available.

*Global and Civic Responsibility:* Students will be asked to solve problems related to ethical dilemmas, encapsulated in problems related to the global investment environment. They will be asked to view issues through difference lenses and gain an appreciation for the complexities involved in addressing financial situations in a global economy. Students will learn to trade securities on exchanges around the world, develop an appreciation for the similarities and differences, and recognize the benefit of developing a global investment portfolio.

*Intellectual Innovation and Creativity:* Careful attention will be devoted to placing students in a position where they must utilize resourcefulness and creativity in solving problems related to investing financial assets. Questions will be asked in ways that require the students to use the materials learned in a variety of ways, rather than repeating known processes. Such flexibility in application is a necessity in successfully addressing changing investment environments. Students will be required to address situations where changing external parameters are not only possible, but expected.

*Synthesis:* This course requires knowledge from the associated disciplines of accounting, economics, math, and statistics. As such, students are expected to apply a level of proficiency in those subject areas in their understanding of financial principles and investment applications.

**COURSE MATERIALS**

*Textbook*

The course has no set textbook, but will include a large amount of reading. Initially, students are expected to read the following books related to investment and portfolio theory.

**Required:**

*The Intelligent Investor*
  By: Benjamin Graham

*Investment Banking*
  By: Rosenbaum and Pearl

**Suggested:**

*One Up On Wall Street*
  By: Peter Lynch

*A Random Walk Down Wall Street*
  By: Burton Malkiel

*Fooled by Randomness*
  By: Nassim Taleb

*Margin of Safety*
  By: Seth Klarman

*The Go Giver*
  By: Burg and Mann

In addition, numerous readings will be assigned throughout the course and will be provided by the instructor.
Also, since this is an advanced course, a general level of knowledge related to finance and modeling is assumed. Thus, the following texts are suggested for use as supplemental reference.

**Fundamentals of Corporate Finance, 13/e**  
By Ross, Westerfield, and Jordan, McGraw Hill.

**Financial Modeling, 3/e, MIT Press.**  
By Benninga, MIT Press.

**Fundamentals of Investments, 9/e**  
By Jordan, Miller, and Dolvin, McGraw-Hill.

*Calculator*
Using a calculator is a natural element of investment analysis. A financial calculator with functions such as present value and internal rate of return will be used periodically throughout the class. If you buy a new one, I highly recommend the TI BA II Plus. It is inexpensive and is considered very easy to use.

*Computer*
Students will be expected to use their personal laptop computers at times during the course. While any computer will work, it is worth noting that many functions still work much better (or only) on Windows and that if you chose to use an Apple machine, you will need to be able to run Windows on it.

**COURSE POLICIES**
Given the unique nature of the current environment and the difficulties that we are all navigating, the College of Charleston continues to maintain a flexible approach. While we expect a return to something closer to the traditional classroom experience, it is possible that external events will require an adjustment at any point in the semester. The operations of this course will adhere to any instructions required by the College and will stay within the rules and regulations therein. It is expected that you remain flexible in your approach and ready to pivot should such be deemed necessary. Every effort will be extended toward effective communication from instructor to students, and it is expected the same to be given in return.

**Attendance Policy**
It is unquestionably expected that each student attend and participate in all class periods, with the exception of College-supported excused absences. However, there is no longer a system for absence memos and much will rely on trust. This course will rely upon an honor-based system where I will assume you make the best efforts possible to attend and participate in the course (whether in person or on-line). In turn, I ask that you please promptly and clearly communicate with me any issues regarding your attendance and/or your participation in the course. I will trust that your explanations for any missed classes are honest and truthful, and will work with you to the degree possible to make up any work missed. Should any student, or the entirety of the class roster, be required to miss class periods due to COVID-related issues, the materials will be made available in an alternative format.
In the end, it simply boils down to mutual respect and trust and I will do my part if you will do yours.

We will return to the classroom as traditionally normal, and it is expected that each student attend in person unless they have a compelling reason to be absent. Other than in the case of the College requiring it, or an instructor decision for a specific class or series of classes, the in-person synchronous classroom experience will not be made available virtually. There is the slight, but very real, possibility that certain class periods will be forced to a completely virtual setting due to either COVID-inspired or other (e.g. inclement weather) circumstances. There also may be instances where the instructor makes the decision to hold a virtual class, but will communicate this decision fully with ample notice to the entire course.

Again, I will remain as flexible as possible throughout, as long as effort and respect is present on your behalf as well.

Honor Code
Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved.

Incidents where the instructor determines the student’s actions are related more to a misunderstanding will handled by the instructor. A written intervention designed to help prevent the student from repeating the error will be given to the student. The intervention, submitted by form and signed both by the instructor and the student, will be forwarded to the Dean of Students and placed in the student’s file.

Cases of suspected academic dishonesty will be reported directly by the instructor and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the Honor Board for academic dishonesty will receive a XXF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student’s transcript for two years after which the student may petition for the XX to be expunged. The F is permanent. The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board.

Students should be aware that unauthorized collaboration--working together without permission-- is a form of cheating. Unless the instructor specifies that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information via a cell phone or computer), copying from others’ exams, fabricating data, and giving unauthorized assistance.

Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the instructor.
Students can find the complete Honor Code and all related processes in the Student Handbook at http://deanofstudents.cofc.edu/honor-system/studenthandbook/index.php.

Students with Disabilities
The College will provide reasonable accommodations for persons with documented disabilities. Students should apply at the Center for Disability Services/SNAP, located on the first floor of the Lightsey Center, Suite 104. Students approved for accommodations are responsible for notifying me as soon as possible and for contacting me one week before accommodation is needed. For more information, you may visit the disability services website: http://disabilityservices.cofc.edu/.

OAKS
OAKS will be used for this course throughout the semester to provide the syllabus and class materials, which will be regularly posted.

Recording of Classes (via ZOOM)
Class sessions will be recorded via both voice and video recording. By attending and remaining in this class, the student consents to being recorded. Recorded class sessions are for instructional use only and may not be shared with anyone who is not enrolled in the class.

Inclement Weather, Pandemic, or Substantial Interruption of Instruction
If in-person classes are suspended, faculty will announce to their students a detailed plan for a change in modality to ensure the continuity of learning. All students must have access to a computer equipped with a web camera, microphone, and Internet access. Resources are available to provide students with these essential tools.

COURSE STRUCTURE
Unlike traditional courses, the students will direct most of the activity within the classroom. A typical class period will include reports from students pertaining to both their administrative role and their sector assignment. In an attempt to replicate the real world feel of an investment firm, students are expected to be prepared to discuss their position at any point when called upon to do so. In addition, each sector will be asked to present a suggested investment opportunity at least twice during the semester.

Each class period will begin with a thorough examination of the existing portfolio to determine any necessary reallocations that need to be completed before making decisions regarding investment in any new asset. Each new decision will be made only after a thorough analysis of the potential asset by the sector analyst, the supervising associate portfolio manager, the student portfolio manager, and the instructor.

Most class periods will begin with either a discussion of the current macro conditions of the markets around the world or specifically the equity sectors within the U.S. financial markets, before then turning to the specific asset discussion at hand. There will also be class periods where it is necessary to reexamine the entire portfolio as a whole. Finally,
there will be select classes where external parties will be invited to view the activities of the class period.

RULES OF CONDUCT
This course is unique in many facets and must be respected as such. Students are accepted into the course under the assumption they have the personal drive and ability to succeed without constant prodding. There is a large degree of self-motivation that must come into play and will determine not only the student’s grade, but also what they obtain from the course.

Also of considerable concern is the fact that the collective cohort will make decisions that result in real financial gains or losses. While making money is not the primary concern of the course, it is a relevant factor and is absent in any other course at the College. This requires decisions to be made with extreme care and diligence. At any time the instructor feels a student is not doing so, the student may be removed from the decision making process.

It is critically important that everyone treats the opinions of others with respect. It is natural for opinions to differ, and questioning the conclusions of others is a necessary part of the process. However, if the criticism crosses the line from constructive to destructive, the offending source will be asked to remove themselves from the decision making process.

ASSIGNMENTS
Students enrolled into the course will wear three hats. Each student will be assigned to a sector, defined by the S&P 500. Given the size of the cohort, there will be approximately two students assigned per sector. In this role, each group will be responsible for analyzing the sector, including key drivers and outlook. Each group will also be responsible for identifying a minimum of two securities within their sector they feel is a valid investment opportunity. Once identified, students will compile a complete valuation analysis of the asset and present their findings to the class for a vote.

In addition, each student will be assigned an officer role in the “investment company” that determines portfolio strategy and implementation. The roles will be determined, when at all possible, by the student’s area of strength and/or interest. However, there may remain instances where the instructor assigns a student a specific role. The responsibilities of each position differ and evaluation of the completion of these responsibilities will be determined at the subjection of the instructor.

Finally, each student is expected to be an ancillary participant in all class discussions and provide constructive criticism to those presenting at any point in time. This level of contribution is a critical component to the success of the course.

GRADING

| Sector or Macroeconomic Analysis | 20% |

6
<table>
<thead>
<tr>
<th>Course</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Asset Analysis and Presentation (min of 2x)</td>
<td>40%</td>
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<tr>
<td>Officer Assignments</td>
<td>20%</td>
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<tr>
<td>Class Participation</td>
<td>20%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

Letter grades are assigned as follows:
- **A** = 90% - 100%
- **B** = 80% - 89%
- **C** = 70% - 79%
- **D** = 60% - 69%
- **F** = below 60%
## TENTATIVE CLASS SCHEDULE

<table>
<thead>
<tr>
<th>Date</th>
<th>Day</th>
<th>Roundtable</th>
<th>Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 24</td>
<td>Tue.</td>
<td>Macro</td>
<td>General information and discussion</td>
</tr>
<tr>
<td>August 26</td>
<td>Thur.</td>
<td>Sector</td>
<td>Sector Roundtable</td>
</tr>
<tr>
<td>August 31</td>
<td>Tue.</td>
<td>Macro</td>
<td>Prep for Firm Day</td>
</tr>
<tr>
<td>September 1</td>
<td>Wed.</td>
<td></td>
<td><strong>Firm Day - Raymond James</strong></td>
</tr>
<tr>
<td>September 2</td>
<td>Thur.</td>
<td></td>
<td>Firm Day Recap / Portfolio Analysis and August Review</td>
</tr>
<tr>
<td>September 7</td>
<td>Tue.</td>
<td>Macro</td>
<td>Staples &amp; Industrials</td>
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<tr>
<td>September 9</td>
<td>Thur.</td>
<td></td>
<td>Healthcare</td>
</tr>
<tr>
<td>September 14</td>
<td>Tue.</td>
<td>Macro</td>
<td>S&amp;I Rebuttal / Healthcare Rebuttals</td>
</tr>
<tr>
<td>September 16</td>
<td>Thur.</td>
<td>Sector</td>
<td>Portfolio Analysis / Risk Metrics Review</td>
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<tr>
<td>September 17</td>
<td>Fri.</td>
<td></td>
<td><strong>Firm Day - Vanguard</strong></td>
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<tr>
<td>September 21</td>
<td>Tue.</td>
<td>Macro</td>
<td>Firm Day Review</td>
</tr>
<tr>
<td>September 23</td>
<td>Thur.</td>
<td></td>
<td>Financials</td>
</tr>
<tr>
<td>September 28</td>
<td>Tue.</td>
<td>Macro</td>
<td>Financials Rebuttal</td>
</tr>
<tr>
<td>September 30</td>
<td>Thur.</td>
<td></td>
<td>Energy &amp; Materials</td>
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<tr>
<td>October 5</td>
<td>Tue.</td>
<td>Macro</td>
<td>Portfolio Analysis and September Review</td>
</tr>
<tr>
<td>October 7</td>
<td>Thur.</td>
<td></td>
<td>Industrials &amp; Staples</td>
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<tr>
<td>October 12</td>
<td>Tue.</td>
<td>Macro</td>
<td>Industrials &amp; Staples Rebuttal</td>
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<tr>
<td>October 14</td>
<td>Thur.</td>
<td></td>
<td>IT &amp; Comms</td>
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<tr>
<td>October 19</td>
<td>Tue.</td>
<td></td>
<td><strong>Fall Break</strong></td>
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<tr>
<td>October 21</td>
<td>Thur.</td>
<td></td>
<td>Utilities &amp; Real Estate</td>
</tr>
<tr>
<td>October 26</td>
<td>Tue.</td>
<td>Macro</td>
<td>IT &amp; Comms and Utilities &amp; Real Estate Rebuttal</td>
</tr>
<tr>
<td>October 28</td>
<td>Thur.</td>
<td></td>
<td>Discretionary</td>
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<tr>
<td>November 2</td>
<td>Tue.</td>
<td>Macro</td>
<td>Discretionary Rebuttal</td>
</tr>
<tr>
<td>November 4</td>
<td>Thur.</td>
<td></td>
<td>Portfolio Analysis and October Review</td>
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<tr>
<td>November 9</td>
<td>Tue.</td>
<td>Macro</td>
<td>Staples &amp; Industrials</td>
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<tr>
<td>November 11</td>
<td>Thur.</td>
<td></td>
<td>Healthcare</td>
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<tr>
<td>November 16</td>
<td>Tue.</td>
<td>Macro</td>
<td>Staples &amp; Industrials and Healthcare Rebuttal</td>
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<tr>
<td>November 18</td>
<td>Tue.</td>
<td></td>
<td>Financials</td>
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<tr>
<td>November 23</td>
<td>Tue.</td>
<td>Macro</td>
<td>Financials Rebuttal</td>
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<tr>
<td>November 25</td>
<td>Thur.</td>
<td></td>
<td><strong>Thanksgiving Break</strong></td>
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<tr>
<td>November 30</td>
<td>Tue.</td>
<td>Macro</td>
<td>Energy &amp; Materials</td>
</tr>
<tr>
<td>December 2</td>
<td>Thur.</td>
<td></td>
<td>IT &amp; Comms / Portfolio Analysis and November Review</td>
</tr>
<tr>
<td>December 9</td>
<td>Thurs.</td>
<td></td>
<td><strong>Exam Period (3:30 - 5:30) - Exit Strategies &amp; Final Portfolio Review</strong></td>
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