Finance 451-01 (CRN 21290)
Applied Portfolio Management II
Spring 2021

Instructor  Mark Pyles
Class       4:00 – 5:15 TR, 207 Tate Center
Office      414 Beatty Center
E-mail      PylesM@cofc.edu
Phone Number 843-953-7991 (Office); 843-513-8970 (Cell)
Office Hours 1:00 – 3:00 PM TR
11:00 AM – 12:00 PM W

DESCRIPTION
This course will incorporate thorough discussion of private equity as an option in actively managed portfolios. Coverage will include the private equity industry, investment strategies, valuation, and exit strategies. Topics will be examined from both the investor and firm perspective.

PREREQUISITES
Instructor permission

OBJECTIVES
Course Objectives
Successful completion of this course will entail the student has a working knowledge in:

- private equity market operations
- private equity firm operations
- investment strategies
- leveraged buyouts
- venture, growth, mezzanine, and distressed capital
- private asset valuation
- performance measurement
- exit strategies
- 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 tools, such as Excel and Morningstar Direct, 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 be required to analyze investment opportunities in private equity from both the firm and investor perspective. In addition, attention will be given to the benefit of developing a global investment portfolio of public and private assets.

**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**

**Reading Materials**
The following texts are specific to Private Equity and are strongly suggested for the course.

- **Venture Capital and Private Equity: A Casebook, 5th edition**
  By Lerner, Hardymon, and Leamon, Wiley.

- **Private Equity as an Asset Class, 2/e**
  By Fraser-Sampson, Wiley.

- **Introduction to Private Equity, 2/e**
  By Demaria, Wiley.

- **Private Equity: History, Governance, and Operations**
  By Cendrowski, Petro, Martin, and Wadecki, Wiley.

**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. I highly recommend the TI BA II Plus.

**Computer**
Students will be expected to use their personal laptop computers during the course. While any computer will work, it is worth noting that it is also critical that students have access to our valuation model, which runs best through Windows-based Excel.

COURSE STRUCTURE
The course will be carried out in a variety of ways. The basic format of each period will be group oriented and will focus on specific topic in private equity and general portfolio management. Some of the class periods will include guest lecturers from the professional world. In addition, the course will consider real-life investment opportunities in the world of private equity and students will have the opportunity to consider investment via the real money funds associated with the SB Investment Program.

Also, while the focus of the course is on learning and implementing private equity analysis, the responsibility also remains of maintaining the public equity funds associated with the SB Investment Program. Thus, we will dedicate approximately 30% of the class time to this pursuit. Having learned the mechanics of public asset investment in previous courses, attention to that aspect of the course will focus solely on management of the funds in the public asset account.

COURSE POLICIES
Given the unique nature of the current environment and the difficulties that we are all navigating, the College of Charleston has approved the following statement for including in all syllabi. The sentiments expressed within provide the framework for how courses will be administered this semester.

_Institutional Syllabus Statement_

_The College of Charleston is committed to promoting the health and safety of our campus community. To that end, all faculty and students must abide by public health guidelines that include practicing social distancing in the classroom and elsewhere on campus, following signage indicating the entrance, exit, and traffic flow in and around campus buildings, wearing a mask or cloth face covering while in the presence of others, washing or sanitizing hands frequently, sanitizing individual and shared learning and work spaces, and staying home when sick. These practices are mandatory. Students will not be allowed to attend class without an appropriate face covering or when showing symptoms of illness.

Due to social distancing requirements, the number of students allowed in the classroom at one time is significantly reduced. As a result, most in-person courses will include a variety of online and technology enhanced components to ensure continuity of learning for each student throughout the semester. These strategies will vary by course section and students are advised to read each syllabus carefully. Faculty have planned each course to enable all students, whether they are in the classroom or working remotely, to be fully engaged in the learning experience. Before the drop/add deadline, students should decide whether the course plan on the syllabus matches their own circumstance. All faculty will use OAKS to facilitate student access to the course syllabus, course materials, and the gradebook. The College of Charleston’s standard grading system is in effect._
There is a possibility that the semester will be disrupted by weather or the pandemic. Every course syllabus will include a plan for a change in modality to ensure the continuity of learning in the event in-person classes must be suspended. Therefore, all students must have access to a computer equipped with a webcam, microphone, and Internet access. Resources are available to provide students with these essential tools.

The College anticipates that some members of the community will fall ill or test positive for the coronavirus, and then be required to quarantine thereby missing class, assignments, and assessments. Faculty are expected to provide reasonable accommodations as determined by the content, level, and expectations of their courses for students who become ill or indicate a need to isolate themselves. To the extent possible, arrangements will be made for students with COVID-19 related absences to continue in the class. Faculty are encouraged to make explicit in their syllabus what sorts of accommodations students can expect with respect to missed course meetings, assignments, and assessments. However, students should be aware that extended absences for any reason cannot be accommodated in every course. Missed assignments and assessments may result in poor or failing grades. If a student is absent from class for an extended period, a withdrawal (W) before the deadline should be strongly considered. In all cases, assigning course grades is the responsibility of the instructor consistent with the grading policy published on the syllabus.

Attendance Policy
Under normal circumstances it is unquestionably expected that each student attend and participate in all class periods, with the exception of College-supported excused absences. However, the current semester is far from normal in terms of circumstances provided. There is no WA grade, and absence memos will not be used. 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. The entirety of the course materials will be available on OAKS, just in case we do have to move entirely online at any point, or if any enrolled students need to access any and all parts of the course remotely as it progresses.

In the end, it simply boils down to mutual respect and trust and I will do my part if you will do yours.

We are fortunate that we are a small enough class that meets in a large enough room that we can all attend during the in-person section of the schedule. However, if you cannot or do not feel comfortable attending in-person classes, I ask that you communicate with me as soon and frequently as possible. 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 be 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, including Gradebook, will be used for this course throughout the semester to provide the syllabus and class materials and grades for each assignment, which will be regularly posted.

Continuity of Learning
Due to social distancing requirements, this class will include a variety of online and technology enhanced components to reinforce continuity of learning for all enrolled students. Before the drop/add deadline, students should decide whether the course plan on the syllabus matches their own circumstances.

During the course of class, in response to the development of COVID-19, the course delivery mode could be switched among face-to-face, online, or hybrid. The students need to make sure that their study will not be interrupted by the change of the delivery mode.

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.

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

Generally
The course is designed as though operating as an investment company. As such, each student will be assigned an officer role in the company, which has the ultimate objective
of determining portfolio strategy and implementation. The responsibilities of each position differ and evaluation of the completion of these responsibilities will be determined at the subjection of the instructor. The instructor will conduct a performance evaluation no less than twice during the semester and the result of those reports will comprise 20% of the student’s grade. In addition, 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 and, as such, will carry a 20% weighting in the grade.

**Private Equity Component**

Each student will carry responsibilities related to private equity in the course. Specifically, students (in small groups) will be assigned analysis of real-life investment opportunities in private equity (likely through angel investor groups). They must complete these analyses and present to the class, along with a recommendation for investment. The class will then decide as a whole whether to pursue investment. In total, this will comprise 40% of the student’s final grade.

**Public Equity Component**

Each student will be assigned in a small group to a sector to cover for the public equity portfolio. In this role, each group will be responsible for analyzing the assets under management for the public portfolio and continually monitor for needed adjustment. This will comprise the remaining 20% of the semester grade.

**GRADING**

<table>
<thead>
<tr>
<th>Component</th>
<th>Weightage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity Asset Analysis</td>
<td>40%</td>
</tr>
<tr>
<td>Administrative Performance</td>
<td>20%</td>
</tr>
<tr>
<td>Public Equity Sector Coverage</td>
<td>20%</td>
</tr>
<tr>
<td>Class Participation</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</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>Class Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/12</td>
<td>Macro Roundtable – Public Fund Portfolio Review</td>
</tr>
<tr>
<td>1/14</td>
<td>Intro to Private Equity (Pyles) – Sector Roundtable</td>
</tr>
<tr>
<td>1/19</td>
<td>Private Equity as an Asset Class (Walt Green)</td>
</tr>
<tr>
<td>1/21</td>
<td>Public Sector Pitch – Macro Roundtable</td>
</tr>
<tr>
<td>1/26</td>
<td>Private Equity Group Pitch – Group 1</td>
</tr>
<tr>
<td>1/28</td>
<td>Private Equity Operations (Walt Green)</td>
</tr>
<tr>
<td>2/2</td>
<td>Overview of Current Private Equity Holdings</td>
</tr>
<tr>
<td>2/4</td>
<td>Angel Investing (John Osborne)</td>
</tr>
<tr>
<td>2/9</td>
<td>Public Sector Pitch – Macro Roundtable</td>
</tr>
<tr>
<td>2/11</td>
<td>Private Equity Group Pitch – Group 2</td>
</tr>
<tr>
<td>2/16</td>
<td>Public Sector Pitch</td>
</tr>
<tr>
<td>2/18</td>
<td>Private Equity Group Pitch – Group 3</td>
</tr>
<tr>
<td>2/23</td>
<td>Sector Roundtable and Review of Public Portfolio</td>
</tr>
<tr>
<td>2/25</td>
<td>Public Sector Pitch</td>
</tr>
<tr>
<td>3/2</td>
<td>Review Day – No class</td>
</tr>
<tr>
<td>3/4</td>
<td>Review Day – No class</td>
</tr>
<tr>
<td>3/9</td>
<td>Private Equity Group Pitch – Group 4</td>
</tr>
<tr>
<td>3/11</td>
<td>Private Equity Group Pitch – Group 1</td>
</tr>
<tr>
<td>3/16</td>
<td>Public Sector Pitch – Macro Roundtable</td>
</tr>
<tr>
<td>3/18</td>
<td>Private Equity Group Pitch – Group 2</td>
</tr>
<tr>
<td>3/23</td>
<td>Portfolio Strategy and Positions Review</td>
</tr>
<tr>
<td>3/25</td>
<td>Private Equity Group Pitch – Group 3</td>
</tr>
<tr>
<td>3/30</td>
<td>Public Sector Pitch – Macro Roundtable</td>
</tr>
<tr>
<td>4/1</td>
<td>Public Sector Pitch – Macro Roundtable</td>
</tr>
<tr>
<td>4/6</td>
<td>Public Sector Pitch – Macro Roundtable</td>
</tr>
<tr>
<td>4/8</td>
<td>Symposium Prep</td>
</tr>
<tr>
<td>4/13</td>
<td>Private Equity Group Pitch – Group 4</td>
</tr>
<tr>
<td>4/15</td>
<td>Sector Roundtable and Review of Public Portfolio</td>
</tr>
<tr>
<td>4/20</td>
<td>PE from the Entrepreneur’s Perspective (Steve Swanson / Hunter Stunzi)</td>
</tr>
<tr>
<td>4/21</td>
<td>Review of Private Equity and Quant Portfolios</td>
</tr>
<tr>
<td>4/29</td>
<td>4pm Final Exam Period – Exit Procedures</td>
</tr>
</tbody>
</table>

**Other Dates of Note:**

- Call for Applications for 2020-2021 Investment Society: 1/15/2020
- CHAP Meetings: January 20, February 24, March 24, April 21
- CofC Strategic Investment Symposium: 4/9/2021