

FINANCE 705: Investment Management

FALL 2021

TENTATIVE AND SUBJECT TO CHANGE

Professors Jules van Binsbergen

Course Website: Available on Canvas

COURSE DESCRIPTION

This course studies the concepts and evidence relevant to the management of investment portfolios. Topics include diversification, asset allocation, portfolio optimization, factor models, the relation between risk and return, trading, passive (e.g., index-fund) and active (e.g., hedge-fund, long-short) strategies, mutual funds, performance evaluation, long-horizon investing and simulation. The course deals relatively little with individual security valuation and discretionary investing (i.e., "equity research" or "stock picking").

PREREQUISITES

Finance Core (e.g. FNCE611 or equivalent preparation).

COURSE MATERIALS

Textbook

The **required** textbook for the course is: Corporate Finance (online, without MyFinanceLab), Jonathan Berk and Peter DeMarzo, 5th ed., Pearson - Prentice Hall

Slides

PDFs of lecture slides are available on Canvas.

Cases

Cases are available on Study.net, which is accessible via Canvas.

Additional Material

Additional material (e.g., notes, supplemental exercises and material, etc.) will be made available on Canvas under Files.

ATTENDANCE AND PREPARATION

Class attendance is expected. I also ask the you avoid disrupting class by leaving early. You are expected to come to class having read the required textbook sections and case when relevant. **Class time is for exploring and applying financial principles, not regurgitating what you can read in a book.**

MIDTERM EXAM

There is one midterm exam that counts for 40% of your grade. The exam is open book and open electronics (e.g., calculator, tablet, laptop); however, any electronics must be in “airplane mode” and unable to communicate with other electronics (i.e., no Wi-Fi, Bluetooth, etc.). There are no makeup exams.

FINAL PROJECT

Your final project is a team project (teams of 2-4 people, no more, no less) where you evaluate an investment manager of your choice using the tools we discussed in class. The final deliverable is a 5-10 page report evaluating the manager’s investment strategy, addressing whether they are underfunded or overfunded, what their skill level is in terms of value added and what the expected abnormal return is on an extra dollar invested in the fund (alpha).

GRADING

Your course grade will be determined by your midterm exam score (40%), the final project score (40%), and class attendance/participation on cases (20%).

Class grades are determined using a class-wide (i.e., across all FNCE 611 sections) curve that respects any constraints imposed by the University or Wharton.

COURSE ETIQUETTE

Unless otherwise requested, please make sure any other electronics are shut off and put away. If you are caught using electronics in class, regardless of the reason, we will reduce your course grade by one third (e.g., A to A-, B+ to B, B- to C+, etc.). If we catch you using them for a second time, you will receive an “F” in the course.

Students are expected to respect the University of Pennsylvania's Code of Academic Integrity (http://www.upenn.edu/academicintegrity/ai_codeofacademicintegrity.html) and to behave with integrity in all aspects of the course. Students should not discuss the content related to the current day's class discussion or exam during the period between sections to avoid giving later sections an unfair advantage. Violations of the honor code will be immediately reported to the administration.

COMMUNICATING WITH PROFESSOR

The best way to contact the instructor outside of the classroom is via email. Please do not ask long, detailed questions about the course, or questions that (may) require a long, detailed response. I am happy to talk with students outside of the classroom (Zoom office hours) so email me to schedule an appointment.

Please let me know of any difficulties you may be having with the course as soon as possible. These difficulties may arise from the course itself, or external forces (e.g., other courses, personal issues). Regardless of the source, let us know as soon as possible so we can work together to avoid larger problems later. Wharton and the University offer a wide range of support services that are geared towards helping students.

Tentative Schedule (Tue-Th classes) First Half

Date	Class #	Topic
Tue Aug 31	1	Introduction
Thu Sep 2	2	The Asset Menu
Tue Sep 7	3	Enhanced Portfolio Theory Investment Styles
Thu Sep 9	4	Factor-Based Investing Enhanced Portfolio Theory – In class case
Tue Sep 14	5	Performance Management vs. Skill
Thu Sep 16	6	Evaluating and Rating Investment Managers / Benchmarking
Tue Sep 21	7	Evaluating and Rating Managers – In class case
Thu Sep 23	8	Bond Management
Tu Sep 28	9	Stock market vs. Bond market Investments and Asset Liability Management
Thu Sep 30	10	Stock markets vs. Bond market Investments – In-class case Pension Funds
Tue Oct 5	11	Macroeconomic indicators and long-term return outlooks
Thu Oct 7	12	Midterm Exam

Date	Class #	Topic
Tue Oct 26	13	Risk Management
Thu Oct 28	14	Liquidity Management
Tue Nov 2	15	Hedge Funds
Thu Nov 4	16	Real Estate as part of your portfolio
Tue Nov 9	17	Private Equity as part of your portfolio
Thu Nov 11	18	Overflow time
Tue Nov 16	19	Industry Guest Speaker TBD
Thu Nov 18	20	Industry Guest Speaker TBD
Tue Nov 30	21	Project Presentations
Thu Dec 2	22	Project Presentations
Tue Dec 7	23	Project Presentations
Th Dec 9	24	Project Presentations