

FINANCE 7050: Investment Management

FALL 2023

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: FNCE6110 or equivalent preparation (taking FNCE6110 concurrently is fine).

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 or posted on Canvas directly.

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 **mandatory** midterm exam that counts for 40% of your grade on Monday October 9th. **You cannot pass the class without taking the midterm and the exam will only be offered on that date. There are no makeup exams, so please make sure you are available on that date.** 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.).

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 7050 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, I will reduce your course grade

by one third (e.g., A to A-, B+ to B, B- to C+, etc.). If I 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 (Mon-Wed classes)

Date	Class #	Topic
Mon Aug 28	1	Introduction
Wed Aug 30	2	The Asset Menu
Wed Sep 6	3	Enhanced Portfolio Theory Investment Styles
Mon Sep 11	4	Factor-Based Investing Enhanced Portfolio Theory – In class case
Wed Sep 13	5	Performance Management vs. Skill
Mon Sep 18	6	Evaluating and Rating Investment Managers / Benchmarking
Wed Sep 20	7	Evaluating and Rating Managers – In class case
Mon Sep 25	8	Bond Management
Wed Sep 27	9	Stock Market vs. Bond Market Investments and Asset Liability Management
Mon Oct 2	10	Stock Market vs. Bond Market Investments – In-class case Pension Funds
Wed Oct 4	11	Macroeconomic Indicators and Long-Term Return Outlooks
Mon Oct 9	12	Midterm Exam

Date	Class #	Topic
Mon Oct 23	13	Risk Management
Wed Oct 25	14	Liquidity Management
Mon Oct 30	15	Hedge Funds
Wed Nov 1	16	Real Estate as part of your portfolio
Mon Nov 6	17	Private Equity as part of your portfolio
Wed Nov 8	18	Overflow time
Mon Nov 13	19	Industry Guest Speaker TBD
Wed Nov 15	20	Industry Guest Speaker TBD
Mon Nov 20	21	Project Presentations
Wed Nov 29	22	Project Presentations
Mon Dec 4	23	Project Presentations
Wed Dec 6	24	Project Presentations

Readings

Class #2:

- B&DM Chapters 6,9

Class #3:

- B&DM Chapters 10,11
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3625279

Class #4:

- B&DM Chapters 12,13
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3785040

Class #5:

- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2038108
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2914669

Class #6:

- https://privpapers.ssrn.com/sol3/papers.cfm?abstract_id=2340784

Class #7

- TBD

Class #8:

B&DM Chapter 30.4 (interest rate management)

Class #9:

- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3611428

Class #10

- TBD

Class #11

- TBD

Class #12

- TBD