

COLORADO STATE UNIVERSITY
Department of Finance and Real Estate

COURSE SYLLABUS- Fall 2009
FIN496 Summit Student Managed Investment Fund

Co-Advisors:

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Time: MWF 9:00-9:50
Location: Rockwell 38
Office Hrs: 10-10:50 MW (Bajtelsmit)
M 2:30-3:30;W 12-2 (Elder) by appt
Gmail Calendar and Morningstar
Summitfund06
Password: finance!

Summit Fund Description

This group study seminar provides an opportunity for students to gain valuable experience in equity valuation, asset allocation, style analysis and portfolio management, as applied to an actual investment portfolio. A distinctive characteristic of this course is the combination of theory with practice.

Student teams will be responsible for fund management and for presenting a competitive analysis of an economic sector, a valuation analysis, or some other analysis related to the management of the fund. As a selectively chosen group, Summit Fund students will also be called upon to represent the College of Business to various constituents and stakeholders. The nature of this seminar is such that students must be particularly self-motivated, dedicated, consistent and professional, and to be able to quickly adapt to changing circumstances.

As a seminar that consists of substantive practical component, the analysis and procedures employed are designed to be consistent with guidelines established by professional organizations, such the [Chartered Financial Analyst](#) (CFA®) program and the Certified Financial Planner (CFP®) program. This reinforces the high standards for professionalism and analysis that are expected of student participants.

Objectives

Students completing this seminar will be able to:

- (1) conduct a thorough valuation of an individual company based on discounted cash flow analysis and relative valuation.
- (2) utilize professional and publicly available databases to research a firm's competitive position;
- (3) analyze the economic environment from the perspective of a portfolio manager.
- (4) justify the asset allocation and style characteristics of an equity portfolio based on the economic environment.
- (5) present and defend the assumptions implicit in their analysis to an audience of critical peers.

If you have any problems or concerns with this seminar, please see or e-mail us. We are available after class and always during posted office hours, but feel welcome to e-mail or call our offices anytime. (Please note that the worst time to drop by is usually the 30 minutes just prior to class.) One of us is at the office everyday (plus some weekends and evenings), unless we have another class, appointment or meeting. If we are not in, the best way to leave a message is via e-mail. You may also submit concerns and suggestions to John Elder anonymously via a feedback form linked to John Elder's web page (<http://lamar.colostate.edu/~jelder>).

Course materials

The materials you will need for this course are:

-[Bodie, Kane and Marcus](#), Essentials of Investments, 7th ed, McGraw-Hill Irwin.

-[Wall Street Journal](#) (optional), sign up on-line [here](#).

You do not need the complete BKM textbook, but you will need access to chapter 21, which discusses investment policy statements. You may also want access to other chapters, to use as a reference, such as chapter 13 (equity valuation). Similarly, you do not need an individual subscription to the WSJ, but you should read some financial periodical on a daily basis.

Organization

The format of the seminar is intended to be primarily discussion and presentation, with guest speakers and applied group projects by both individuals and teams. In the first few weeks, we will also include some traditional lecture on equity analysis techniques. After officers have been elected, it is expected that class periods will be organized and lead by the President and Vice President. One or both of the Co-advisors will be in class Mondays and Wednesdays, with Friday used as a project/team workday except for weeks in which we have scheduled guest speakers on that day.

More detailed procedures for managing the fund are detailed in the *Investment Policy Statement (IPS)*, which will be available electronically and will be discussed/edited in the first week of class. The IPS is a roadmap that describes the financial objectives and risk tolerances, as well as procedures for asset (and sub-asset) allocation, style characteristics and security selection. We will be discussing the details of the IPS early this semester.

Students will have responsibilities related to one or both of following categories: 1) coverage of an economic sector and 2) functional responsibilities.

Sector teams

Each sector team is responsible for monitoring the status and performance of existing and potential investments in their assigned economic sector. Sector teams take direction from the combined group, based on sector rotation strategies, on whether investment positions must be added or deleted from each sector. The sector teams are responsible for generating recommendations on which positions are to be deleted or added.

These recommendations will take the form of a written and oral report, which will include a sector overview and security selection/valuation. When a security is being added to the portfolio, the security selection process begins with a screening filter that limits the universe of securities under consideration and concludes with a valuation analysis based on discounted cash flows and comparable firms. More details are provided in the *Investment Policy Statement* and a valuation example that will be available electronically.

Functional Responsibilities

In addition to coverage of an economic sector, some students will be assigned or elected to positions with responsibilities in various functional and administrative areas. These positions include: President, Vice President, Chief Economist, Junior Economist, International Analyst, Marketing Representative, Alumni Relations, Senior Portfolio Manager, Junior Portfolio Manager and Web master.

Students in these positions will have some specific administrative responsibilities, including tasks such as conducting the usual meetings, maintaining an agenda, providing periodic economic updates, as well as coordinating the annual/semester report.

Course Etiquette:

1. If you miss class, please be sure to retrieve notes and announcements from a classmate.
2. Be on time.
3. Dress business for any presentations or guest speakers, unless otherwise noted.

4. Student teams must meet with one of the Co-Advisors at least one class period prior to making a presentation or submitting a written report.
5. Written work must be submitted when due and professionally presented.
6. All work in this course must be completed in a manner consistent with CSU's Policy on Academic Integrity (<http://catalog.colostate.edu/front/policies.aspx>) and the Student Code of Conduct (<http://www.conflictresolution.colostate.edu/conduct-code.aspx>). If you are not familiar with these, you must read them carefully as a condition of remaining enrolled in this course.
7. Any students with disabilities or other special needs, who requires special accommodations in this course should share these issues with the instructors as soon as possible!

If you find these conditions unacceptable, you should contact us at the beginning of the semester to seek counsel. Continued enrollment indicates your acceptance of these conditions.

Grading

Students will be graded based on class participation, written assignments and oral presentations. Class participation includes consistent and active participation in the relevant discussions, outside events, fulfillment of functional responsibilities, and team contributions. Written assignments will include at least one sector overview and detailed analyses of several individual firms in that sector. Oral presentations will usually be based on these written assignments but will also include regular brief updates provided to the group throughout the semester. In general, written and oral assignments will be a team effort and will result in a team grade.

Letter grades will be determined by computing an average according to the weighting scheme below. We will use the +/- grading system where an average of 90+ is an "A"; 88-89 is an "A-"; 80-87 is a "B"; 78-79 is a "B-", and 70-79 is a "C".

Participation Points (50%) Written Assignments (20%) Oral Presentations (30%)

If you have questions regarding the grading of an assignment or presentation, you must see the instructors prior to last day of class.

Speaker schedule

September 4 Melissa Luna, COB Career Liaison
 September 11 Patrick Fossenier, Investor Relations, Con-Way (CSU Class of '81)
 September 25 Summit Fund Alumni Networking Event in Denver 5-7PM
 Others TBA

Guidelines for Sector Overview and Stock Selection Reports

Below is an outline that should serve as a guide for the type of information to be included in sector overviews and stock selection reports.

- Sector overview
 - Description and overview.
 - Major recent developments and prospects for the sector.
 - Sources: Morningstar, [map of the market](#), Bloomberg, etc...
- Company background and Competitive/Industry analysis
 - Operations and core businesses (overview, strategy, etc). How does the firm's business model compare to that of its competitors?
 - Opportunities and risks.
 - Review of recent financial performance - trends in stock price, revenue, profits/losses, etc. What are the firm's prospects for continued growth?
 - Sources: Morningstar's analyst report, company's annual report (from investor relations section of company web site or EDGAR), Bloomberg.

- Relationship to Portfolio
 - Does firm meet SMIF's screener criteria (in Morningstar), if not, why?
 - How does stock fit with rest of portfolio "style", in terms of market cap (large/small) and valuation (value/growth)? That is, how would the firm alter the Morningstar X-ray?
 - How would the stock alter the portfolio's risk profile (beta)?

- Valuation
 - Absolute/fundamental valuation - use standard valuation tools to conduct a fundamental valuation of the company in question. The analysis should be conducted in a spreadsheet. To get started, you might consult with Morningstar's or Bloomberg's analysis, which has some parameters on expected growth, etc. An example of a valuation will also provided electronically. The most important part of the valuation is justifying the assumptions used, which requires a fairly deep understanding the firm's position.
 - Relative valuation - Include a valuation of the target company relative to its peers, or competitors. Be sure to address whether there is any reason why some ratios (like P/Sales or P/FCF might be most relevant).