

FIN 442 Portfolio Management for Stocks and Bonds

Fall 2023, Professor Thummim Cho

Faculty Information

Instructor: Thummim Cho, Ph.D.

Classroom: SGMH 2308A

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Office hours: xxx or by appointment

Response time: Under normal circumstances, the instructor will reply to student inquiries within 24 hours except weekends and periods when the university is closed for classes. All announcements are sent through Canvas, which only uses CSUF email accounts. **Students must check the class website on Canvas and their CSUF email often to be fully informed about information relevant to the course.**

Course Information

Name, number, title: FIN 442 *Portfolio Management for Stocks and Bonds*. Schedule #xxx, 3-units

Modality: Mostly online. Synchronous meeting dates: 8:30am-11:15am the first Saturday of each month. Class materials including video lectures, tutorials, and assignment templates will be posted to Canvas for students to complete on their own schedules (asynchronous.) Synchronous meetings will be in-person to present projects and conduct interactive workshops. Zoom will be available only for students who cannot attend the synchronous sessions in-person due to circumstances beyond their control. <https://fullerton.zoom.us/j/81898130877>.

Course requisite(s):

- Prerequisites: FIN 341 Student Managed Investment Fund, ISDS 361A Business Analytics I
- Corequisites: FIN 340 Introduction to Investments

Catalog Description: This course teaches students how to make evidence-based decisions for personal investing or preparation for careers in financial planning or asset management. Specific topics include investment research methods, portfolio management techniques, financial statement analysis, cash flow forecasting, and professional ethics.

Additional description: Students will develop an understanding of prudent investment management practices for stock and bond portfolios. They will apply accounting, statistics, finance, and economic concepts to identify risks and opportunities offered by stocks and bonds within a changing market environment. Fundamental 'evidence-based' analysis will be used to evaluate the financial condition of company peer groups and

select stocks and bonds with the most appealing balance of risk, cost, and expected return. Cash flow forecasts and discounted cash flow models are introduced to estimate the fair value of stocks and bonds. Students will integrate their quantitative and qualitative research into persuasive research reports suitable for consideration by investment practitioners. The concept of fiduciary duty to clients will be demonstrated by aligning investment proposals with the objectives of one or more of the Titan Capital Management investment portfolios. Investment success will be measured within the context of the investment objective of each portfolio by applying statistical analyses and industry-standard performance attribution techniques.

Course materials and equipment:

- **Required text(s):** There is no textbook for this course. Students will be provided with samples of investment statements, financial analyst reports and recommendations, risk and return analysis for sample portfolios, and other practitioner references to build a foundation in professional asset management. **All required materials will be posted on the Canvas course website accessible via your student portal.**
- **Other course materials:** Proficiency with Microsoft Excel, Word, and PowerPoint are essential to successfully complete course assignments.

Student Learning Outcomes (SLO)

SLO 1-3 will be assessed using the Research Report rubric. SLO 4-5 will use the Performance rubric.

1. Recognize opportunities and risks associated with stock and bond securities in different economic and market environments.
2. Prepare cash flow forecasts, peer comparisons, and/or discounted cash flow models to estimate the fair-value of stocks and bonds.
3. Align investment recommendations with the objectives of a specific client portfolio.
4. Interpret statistical measures such as Sharpe ratio, tracking error, and information ratio to accurately measure portfolio risk and return compared to a designated benchmark index.
5. Apply performance attribution techniques to evaluate the success of active investment decisions in a portfolio context and identify necessary changes to investment strategies.

Practicum Course: This course has been designated by the CSUF College of Business and Economics as a practicum course. Practicum courses prepare students for the world of work by providing experiential learning. Through the projects, activities, and other tasks in this course, you will address real world problems by applying the tools, techniques, and frameworks used in the workplace, strengthening your professional portfolio.

Grading Policy

- a. **Attendance and participation policy.** Attendance at each synchronous class session is essential to master the concepts presented in the course. Students who miss a synchronous class session due to circumstances beyond their control

must contact the instructor prior to or immediately after the missed class to avoid a 5-point penalty.

- b. **Examination dates.** There are no formal exams in this course. Grades will be based solely on the quality and timeliness of the written assignments and oral presentations as described below.
- c. **Make-up and late submission policy.** Consistent with UPS 300.005, no make-up assignments are given except for reasons of illness, verified emergency, or other serious and compelling reasons approved by the instructor. The instructor must approve any make-up work.
- d. **Authentication of student work.** Student work will be authenticated by submission in class for in-person instruction and through Canvas for online instruction.
- e. **Penalty for academic dishonesty.** Students must be familiar with the policy on academic integrity, found at the student information website and in UPS 300.021. The penalty in this course for academic dishonesty is a failing grade, and the incident is reported to the Office of Student Conduct.
- f. Grading scale and assignment breakdown:

Table 1: Grading Scale

Outstanding	%
A+ = 4.0	98-100
A = 4.0	93-97
A- = 3.7	90-92
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Good	%
B+ = 3.3	87-89
B = 3.0	83-86
B- = 2.7	80-82
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Acceptable	%
C+ = 2.3	77-79
C = 2.0	73-76
C- = 1.7	70-72
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Poor	%
D+ = 1.3	67-69
D = 1.0	63-66
D- = 0.9	60-62
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Failing	%
F = 0.0	0-59

Table 2: Graded Assignments

Assignment	Points	Weight
Stock and Bond Investment Recommendations (2 @ 50 pts. each, maximum 2 authors)	100	33%
Mutual Fund or ETF Recommendation (single author)	35	12%
'Rose and Thorns' Peer Review (2 @ 10 points each)	20	6.5%
Sector/Industry Analysis (team project, 50 points) or Monthly Investment Report (maximum 2 authors) or Market Research Paper (graduate students, single author)	50	17%
Market/Economic Oral Report or Presentation to TCM Advisory Board	50	17%
Peer Feedback on Group Projects	25	8%
Attendance	20	6.5%
Total	300	100%

- g. Extra credit. Any extra credit, if given, will be offered on an equal basis to all students and will be described in class and in writing with ample lead time to do the work.

Students participating in the Applied Investments program must earn a 'B' or better in this course (minimum GPA 3.0) to advance to FIN 443A or 443B.

Required Course Assignments

Assignment 1: **Investment Recommendations**. 100 points, 36% of grade. Multiple due dates, see schedule.

Each student will prepare 1 stock recommendation and 1 bond recommendation (maximum 2 authors), and 1 mutual fund or ETF recommendation (maximum 1 author) aligned with the investment objectives of one or more of the Titan Capital Management investment portfolios.

- Stock and bond recommendations must compare the company's competitive position and financial condition relative to peers against the estimated fair value of the company's stock or bonds to identify a compelling investment candidate.
- Mutual fund and ETF reports must evaluate the market exposure gained by the fund against the economic environment, then compare the historical risk and reward of a representative peer group to identify the fund with the most appealing balance of market risk and expected reward.

Reports will be graded on 1) compelling investment thesis referencing value, catalysts, and risks, 2) objective evidence to support the recommendation, 3) thorough valuation analysis (for stocks/bonds) or exposure analysis (for mutual funds and ETFs), 4) logic of the argument, and 5) writing quality.

- Refer to scoring rubrics and samples of each type of report on Canvas.

- Prior to submitting each stock or bond report to the instructor, students must pair up for a 'rose and thorns' review of their draft reports.

Sector Team Assignments. *Multiple due dates, see schedule. Graduate students and Applied Investment students participating on a portfolio management team will complete alternative assignments as described below.*

Each student will be assigned to a sector team to help focus attention on a discrete market segment while monitoring positions in the Titan Capital Management investment portfolios. Each sector team will need to meet outside of class 1 hour per week to evaluate how the market environment is impacting their sectors and identify possible positions to add or remove from one or more of the TCM investment portfolios.

Sector teams will take turns facilitating a class discussion of recent market performance highlighting leaders and laggards held in any of the TCM investment portfolios. Written reports are not required, though a PowerPoint presentation summarizing key information is appreciated. All sector team members not in the Applied Investments program must contribute productively to each scheduled discussion to earn points.

Market sectors will be assigned as follows:

Larger Teams

- Industrials
- Consumer Discretionary and Staples (Cyclical and Defensive)
- Technology

Smaller Teams

- Financials and Real Estate
- Energy, Materials, Utilities
- Healthcare
- Communication Services

Assignment 2a: Sector/Industry Report. *50 points, 18% of grade. Multiple due dates. Sector team members other than Applied Investment students participating on a portfolio management team and graduate students.*

Each sector team must prepare a thorough analysis of their sector including a deep dive into several major industries, one industry per author. Each report must include an overview of the sector dynamics plus key drivers of profitability for the highlighted industries as well as specific metrics used by industry practitioners to evaluate success. Each team must modify the Peer Comparison Excel template to accommodate metrics unique to their sector.

Assignment 2b: Monthly Investment Report. *50 points, 18% of grade. Multiple due dates. Applied Investment students participating on a portfolio management team only.*

Undergraduate students enrolled in the Applied Investments program must prepare one monthly portfolio review during the semester for one of the TCM investment portfolios, maximum 2 authors per report. Each TCM portfolio must be covered at least once during the semester; duplicate reports for a given month are not allowed. There are several due dates during the semester. Students may request their preferred portfolio to report on at the start of each month, first come first served.

Assignment 2c: **Market Research Paper and Oral Report.** 50 points, 18% of grade. Due date: December 4 (paper) and December 8 (oral report). Graduate students only.

Each graduate student must write an in-depth research report on a topic of their choice related to the financial markets. Topics must be approved by the instructor before the student begins work. Reports must be written in MLA or APA styles and demonstrate superior reasoning and writing skills. Papers will be 15 to 20 pages in length and will be accompanied by a 10-minute presentation.

Assignment 3a: **Market/Economic Oral Report.** 50 points, 18% of grade. Due date: October 2
Teams of up to 4 students, excluding Applied Investment students participating on a portfolio management team.

Undergraduate students not enrolled in the Applied Investments program will prepare an economic review and market analysis oral report near the mid-point of the semester. This report will provide perspective into macroeconomic factors which drove the stock and bond markets over the previous 3 months. The market review will be followed by an outlook for the expected risk/reward tradeoff in the economic environment through the end of the year.

- Reports will be graded on logic and writing quality, accuracy and usefulness of the content, and rigor of the quantitative analysis supporting the economic review and outlook.
- See scoring rubric at the end of this document.

Assignment 3b: **Presentation to TCM Advisory Board.** 50 points, 18% of grade. Due date: Dec. 8

Undergraduate students enrolled in the Applied Investments program and participating on a portfolio management team will prepare a presentation to the TCM Advisory Board describing their investment philosophy and process for each of the Titan Capital Management investment portfolios.

Assignment 4: **Peer Feedback.** 25 points, 8% of grade. Due date: December 16.

At the end of the semester, all students will be surveyed to evaluate the contribution of each teammate to group projects. Survey responses will be structured on a sliding scale between 100% positive contribution to 0% positive contribution. The weighted average survey percent will be applied to the 20- point maximum to determine the points earned on this assignment.

College of Business and Economics Assessment Statement

The programs offered in College of Business and Economics (CBE) at Cal State Fullerton are designed to provide every student with the knowledge and skills essential for a successful career in business. Since assessment plays a vital role in CBE's drive to offer the best, several assessment tools are implemented to constantly evaluate our program as well as our students' progress. Students, faculty, and staff should expect to participate in CBE assessment activities.

In doing so, CBE is able to measure its strengths and weaknesses, and continue to cultivate a climate of excellence in its students and programs.

Assurance of Learning (AoL) is an integral part of both our AACSB and WASC accreditation. For more information on our College-based assurance of learning efforts, please visit <https://business.fullerton.edu/assessment>.

Technical Problems

If you encounter any technical difficulties, contact the instructor immediately to document the problem. Then, contact for help:

For technical difficulties: [student IT help desk](#), [email](#), phone = 657-278-8888, walk-in [student genius center](#), online chat - log into [portal](#); click "Online IT Help"; click "Live Chat."

For issues with Canvas: Canvas Support Hotline = 855-302-7528, [student support chat](#), [faculty support chat](#).

In the event a technical problem prevents students from submitting work, the instructor will communicate with students through CSUF email. The instructor may grant an extension until the problem is resolved, or the instructor may have students submit assignments by email, or the instructor may have a different solution. In the case email does not work, students should call the department office for further direction.

Technical Competencies

The website with [student information for course syllabi](#) describes the student information technology (IT) services and competencies. In brief, students should have access to a fairly current and reliable computer or tablet (Windows or Mac) and internet connectivity. Students are also expected to have basic computer skills. Visit the student information website above for more details and how you can receive technology assistance, if needed.

Student Resources Website

It is the student's responsibility to read and understand the required and important [student information for course syllabi](#). Included is information about:

- University learning goals
- General Education learning outcomes
- Netiquette
- Students' rights to accommodations
- Campus student support resources
- Academic integrity
- Emergency preparedness
- Library services
- Student IT services and competencies
- Software privacy and accessibility
- Accessibility statement
- Diversity statement
- Land acknowledgement
- Final exam schedule
- Semester calendar

FINANCE 442 CALENDAR OF TOPICS / SCHEDULE OF CLASSES

SECTION 1 – PORTFOLIO MANAGEMENT FOR BONDS**Week 1, MM/DD**

Topic(s): Fiduciary Duty: Know Your Client / Portfolio Management Philosophy & Process
Balanced Risk and Reward: The Art and Science of Asset Allocation.

Reading(s): Review the Investment Policy Statements for all TCM portfolios Callan Institute
Capital Markets Assumptions pdf, webinar, and interactive web page:
<https://www.callan.com/capital-markets-assumptions/>

Assignment(s): None

Week 2, MM/DD

Topic(s): Persuasive Communications, Session 1: Written Workshop: Writing a monthly
investment report.

Reading(s): Review sample monthly investment report

Assignment(s): None

Week 3, MM/DD

Topic(s): Fixed Income Fundamentals: Managing Credit Risk Workshop: Introduction to
FactSet

Reading(s): Review sample bond peer comparison spreadsheet

Assignment(s): None

Week 4, MM/DD

Topic(s): Persuasive Communications, Session 2: Oral Fixed Income Fundamentals:
Interest Rate Risk

Reading(s): <https://graduate.unl.edu/connections/ten-simple-rules-making-good-oral-presentations>
Review TCM President's Scholars portfolio

Assignment(s): Due Sunday (Applied Investments students only, maximum 2 authors):
Monthly investment report for assigned TCM portfolio

Week 5, MM/DD

Topic(s): Constructing a Bond Recommendation
Introduction to Bloomberg

Reading(s): Review sample bond investment recommendation

Assignment(s): **Due Sunday:** Rose & Thorn review for bond investment

SECTION 2 – PORTFOLIO MANAGEMENT FOR STOCKS

Week 6, MM/DD

Topic(s): Constructing a Stock Recommendation
 Workshop: Using the Simple DCF template

Reading(s): Review stock peer comparison spreadsheet and sample report

Assignment(s): **Due Sunday:** Bond investment recommendations

Week 7, MM/DD

Topic(s): Market/Economic Oral Report *All students except Applied Investments*
 Calculating Portfolio Risk and Return
 Workshop: Facilitating a Leaders/Laggards Discussion

Reading(s): Review sample monthly investment report for stocks and instructions for sector leaders/laggards discussions

Assignment(s): None

Week 8, MM/DD

Topic(s): Leaders/Laggards Discussion - Facilitators: Communication Services team
 Performance Attribution

Reading(s): Review sample monthly investment report

Assignment(s): **Due Sunday** (Applied Investments students only, maximum 2 authors):
 Monthly investment report for assigned TCM portfolio
Communications Services Team: Sector Analysis Report and Customized Peer Comparison spreadsheet

Week 9, MM/DD

Topic(s): Leaders/Laggards Discussion - Facilitators: Energy, Materials, Utilities team
 Evaluating Mutual Funds and ETFs

Reading(s): Review fund comparison spreadsheet and sample report
 Review TCM President's Scholars portfolio

Assignment(s): **Due Sunday:** Rose & Thorn review for mutual fund/ETF investment recommendations
Energy, Materials, Utilities Team: Sector Analysis Report and Customized Peer Comparison spreadsheet

Week 10, MM/DD

Topic(s): Leaders/Laggards Discussion - Facilitators: Healthcare team
 Cash Flow Forecasting and DCF Models, Part 1: Forecasting

Reading(s): Review sample DCF model

Assignment(s): **Due Sunday:** Mutual fund/ETF investment recommendations
Healthcare Team: Sector Analysis Report and Customized Peer Comparison spreadsheet

SECTION 3 – COMPLEX INVESTMENT INSTRUMENTS

Week 11, MM/DD

Topic(s): Leaders/Laggards Discussion - Facilitators: Financials/Real Estate team
Cash Flow Forecasting and DCF Models, Part 2: Valuation

Assignment(s): **Due Sunday:** Rose & Thorn review for stock investment recommendations
Monthly investment report for assigned TCM portfolio (Applied Investment students)

Financials/Real Estate Team: Sector Analysis Report and Customized Peer Comparison spreadsheet

Week 12, MM/DD

Topic(s): Guest speaker: Technical Analysis
Leaders/Laggards Discussion - Facilitators: Technology team
The Role of Preferred Stocks in Stock and Bond Portfolios

Reading(s): Review Dorsey Wright platform

Assignment(s): **Due Sunday:** Stock investment recommendations

Technology Team: Sector Analysis Report and Customized Peer Comparison spreadsheet

Week 13, MM/DD

Campus Closed – Fall Recess

Week 14, MM/DD

Topic(s): Leaders/Laggards Discussion - Facilitators: Consumer team
Introduction to Convertible Bonds

Assignment(s): **Due Sunday: Technology Team:** Sector Analysis Report and Customized Peer Comparison spreadsheet

Week 15, MM/DD

Topic(s): Leaders/Laggards Discussion - Facilitators: Industrials team
Stock Options for Portfolio Risk Management

Assignment(s): **Due Sunday: Market research report** (Graduate students only)

Industrials Team: Sector Analysis Report and Customized Peer Comparison spreadsheet

Week 16, MM/DD

Topic(s): Research Report Presentations *Graduate students only*
Presentation to the TCM Advisory Board *Applied Investment students only*

Assignment(s): **Due Sunday:** Peer Feedback

Monthly investment report for assigned TCM portfolio (*Applied Investment students*)

Week 16, MM/DD

Topic(s): No final exam