

USC Marshall

School of Business

SPRING 2017

FBE553A/B – Applied Portfolio Management

Class meeting: Mondays 2:00-4:50pm in BRI 203

Fund meeting: Weekly

Company visit: Friday mornings (time varies)

Instructors: Suh-Pyng Ku and Scott Abrams

Office: JKP 200 and HOH 219

Office Hours: Wednesdays 1:15-1:45PM and by appointment

Emails : suhyng.ku@marshall.usc.edu; sabrams@marshall.usc.edu

SIF community: <http://hub.marshall.usc.edu/centers/cis/gsif/Pages/default.aspx>

SIF website: <http://students.marshall.usc.edu/cis/sif>

COURSE OBJECTIVES

This course offers a year-long seminar in applied portfolio management. It is designed to give students rigorous exposure to contemporary investment and portfolio theory and practice. It also allows the students to learn the skills of investment managers. Analytical tools for the valuation of stocks, bonds, and options will be presented. The course will also cover risk management and portfolio optimization, behavioral finance, and performance attribution. Students will demonstrate and refine their ability to apply analytical concepts and techniques through fund management, sector reports, company research reports, investment research, and security pitches.

The purpose of this seminar is fivefold:

1. To provide a select group of up to 16 MBA students with experience in managing a portion of the University's equity endowment
2. To provide an academic background for the appreciation of security analysis and portfolio management through assigned and self-selected readings
3. To enhance the academic experience through interaction with individuals and institutions engaged in the money management business
4. To produce and present an Annual Report which will provide description of the course experience and a record of achievement
5. To award the Guilford C. Babcock Endowed Scholarship, the First Pacific Advisors, Inc./Student Investment Fund Scholarship and the Provident Investment Counsel Endowed Scholarship to select individuals in the program

The students are selected based on their genuine interest in pursuing a long-term career in asset management, investment banking, and/or corporate finance. The number of students allowed to enroll in this two-semester program is limited to 16 so that (a) each student may have direct, hands-on experience in managing one of five portfolios and (b) the class, as a group, can visit with a variety of money managers. The class requires a daytime availability on Mondays and Fridays so that the student managers can meet with each other and make off-campus visits during normal business hours. The expected time commitment is 8-10 hours a week.

For the 2017 class, the student managers have assumed fund management responsibilities as of April 1, 2016 and will relinquish this responsibility as of March 31, 2017.

COURSE FOCUSES

Summer: Sector Report, Legacy Portfolio Review/Rebalancing Plan

Fall: Investment Strategy and Process; Financial Analysis and Security Valuation; Risk Management and Portfolio Optimization; Performance Attribution

Spring: Bond Portfolio Management; Derivatives; Company Research Reports, and a 2017 Annual Report

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USC MARSHALL STUDENT INVESTMENT FUND GUIDELINES

Thanks to a \$250,000 gift from Provident Investment Counsel, the Student Investment Fund (SIF) Program was established in 1986. In 1995, an additional \$750,000 from alumni, friends of Guil Babcock, and the USC Marshall School was raised. Three equity portfolios, including Babcock California Fund, Provident Growth Fund, and Trojan Equity Fund, were introduced. Also, with a gift of \$200,000 by Robert Rodriguez and First Pacific Advisors, Inc., as well as a total contribution of \$400,000 from various donors, a Marshall Fixed-Income Fund was established in June 2004. With a gift of \$750,000 by David and Nancy Iben, a Global Equity Fund was established in March 2011. The SIF is hosted by the USC Marshall Center for Investment Studies (CIS) which was initiated by a \$1 million gift from Larry and Karen Tashjian. The SIF/CIS is guided by its Board of Advisors, including David Iben, Michael Reilly, Robert Rodriguez, Jim Sarni, Sheldon Stone, and Larry Tashjian (Chair). As of June 2016, there are 395 SIF alumni from 30 classes. As of March 31, 2016, 16 second-year MBA students are managing approximately \$6.5 million in four equity and one fixed-income portfolios, each with a unique investment discipline.

Investment Objectives:

Since the funds managed are part of the University's endowment, there is a long-term, principal-conserving aspect to their management. However, because the management of these funds is also intended to serve as a learning experience in a year-long seminar, there is also a shorter horizon in which the student managers are actively trying to beat their benchmark. This dichotomy is accepted and is part of the challenge of developing an appropriate performance attribution.

Portfolio Compositions:

The primary constraint on this tax-exempt money is that it shall be fully invested in equities or fixed income securities with no more than 10% in cash. The average size of the individual holdings should not exceed 5% of the total portfolio, and the largest holding should not exceed 10%. For equity, the minimum market cap should exceed \$100 million.

The Trojan Equity Fund is a domestic large-cap value stock fund while the Provident Growth Fund invests in domestic mid-cap growth stocks. The Babcock California Fund is a domestic small-cap stock fund with at least 50% invested in companies domiciled in California. The Global Equity Fund is an all-cap global fund that invests in the developed and emerging capital markets. In addition, the Marshall Fixed-Income Fund invests in at least 60% in domestic corporates, and the remaining in treasuries, MBS, high yield, agencies, preferred stocks and ETFs. Based on the investment guidelines recommended by the CIS Board of Advisors, each group of fund managers develops their own strategy for selecting securities, constructing their portfolio, monitoring their portfolio's risk and reward, and evaluating their portfolio's performance.

The SIF 2017 fund managers are:

Trojan Equity Fund (TEF)	Provident Growth Fund (PGF)	Babcock California Fund (BCF)	Global Equity Fund (GEF)	Marshall Fixed-Income Fund (MFF)
Michael Colosimo	Akosua Adu-Gyamfi	Adebola (Bola) Adedire	Eric Lau	Jonathan Friedman
Stephen Robinson	Sam Lee	Samuel Cowley	Hui (Benson) Liu	Scott MacDonald
Steven Spellman	Abhigna Mandavilli	Di (Davis) Wu	Vinson Pham	Christopher Miller
			Qiaoqi (George) Zhou	

Operational Structure:

The fund's administrative and operational structure has been created to address logistical issues. The fund's operational structure includes the following.

Fund	Accounting, Operations & Compliance	Trading, Training & Special Projects	Marketing & Recruiting
TEF	Robinson, Stephen	Colosimo, Michael	Spellman, Steven
PGF	Lee, Sam	Mandavilli, Abhigna	Adu-Gyamfi, Akosua
BCF	Adedire, Adebola (Bola)	Wu, Di (Davis)	Cowley, Sam
GEF	Liu, Hui (Benson)	Zhou, Qiaogi (George)	Lau, Eric
MFF	Scott MacDonald	Friedman, Jonathan	Miller, Christopher

*special projects: Vinson Pham

Trading: With the assistance of the USC Investment Office, all funds trade through the institutional trading desk of Bank of New York Mellon Capital Markets, LLC (BNYMCM). For domestic securities, the only difference between the fixed-income and equity trading is that the commission on equity trading is two cents a share for equity with a minimum of \$20 per trade and nothing for fixed-income. In addition, there are significantly higher custody and trading costs involved in trading foreign local securities than domestic issues, including a higher account administration fee, country specific asset stamp fee, country specific transaction fee, and country specific commission rates.

The trading process for a security is as follows:

1. A Student Trader (one Primary Trader per fund) will place trades by emailing a buy or sell trade ticket to BNYMCM's equity trading group (for equity funds) or primary fixed income trader.

Re: University of Southern California USIF Account
Client BNYMCM Acct #: NZAxxxxxxx

Dear Equity Trading Team or Mike:

Please execute the following trade today for the above referenced account:

Ticker:
Company Name:
Exchange:
Transaction Type:
Number of Shares:
Order Type:
Settle in Custody A/C#: **US4F10SIFx02**

Please provide us with the confirmation once the order is executed. If you have any questions, please call me at (xxx) xxx-xxxx.

Thank you for your assistance.

Best regards,
Xxxx Xxxxxx
USC SIF Trader

2. BNYMCM Trading Desk Contacts:

Security	Name	Role	Direct Line	Email
Equity	Trading Team	Team		bnymcm.equities@bnymellon.com
Equity	Paula Abbot	Primary	412-234-8342	paula.abbott@bnymellon.com
Fixed Income	Mike Solomon	Primary	412-234-5716	michael.solomon@bnymellon.com
Fixed Income	Rob Steiner	Secondary	412-234-0389	
Fixed Income	Justin Davenport		412-234-0386	

3. The trades will be executed at the market bid-asked spread.
4. BNYMCM will book the trades in the SIF account and direct settlement to the designated Asset Servicing Custody account.
5. BNYMCM will send a trade ticket/confirm to the authorized trader(s) that did the trade via email.
Should there be a trade discrepancy; the Student Trader will need to email and call the BNYMCM trading desk immediately to resolve the discrepancy. BNYMCM will also provide trade confirmation as requested.
6. The Student Trader will post the affirmed trade confirmation on the USIF Community Pages.

The trading process for a **foreign local security** is the same as that of the domestic security except, for a sale transaction, the selling proceeds of your trade will be in held in your account in foreign currency unless you explicitly request the funds be converted into U.S. dollars. (Note: Cash dividends will be converted into U.S. dollars automatically.)

Accounting Reports & Reconciliation:

1. BNY Mellon Workbench (<https://connect.bnymellon.com>) holds our official accounting statements, transaction reports and asset details. The class uses one common password to access information for your fund. You can use BNY Mellon Workbench to monitor and manage your fund.
2. The Student Accountant must review the monthly reports and complete reconciliation by the 15th of the subsequent month. Once you have reconciled your holding/transaction records against BNY Mellon's financial statements, please send an update to Benson Liu, who will maintain the overall audit/reconciliation record for the class. (Note that BNY-Mellon policy stipulates, "If the information does not agree with your records, you must detail all discrepancies you have identified in an email to imrecons@bnymellon.com. If we do not receive any response within 45 days of the period end date of these statements, the information reflected in these statements shall be deemed by you to agree with your records."). While you have direct access to your audited financials, Ginny You will post a copy of the audited monthly financial reports on the SIF Community Pages when the reports become available to her.

Turnover:

Commonly, turnover ratios are measured by dividing the amount of securities bought or sold by the fund's assets for the year. High turnover ratios are frequently associated with higher costs. See below for a variety of definitions.

- "Portfolio turnover rate: the volume of a mutual fund's holdings that is sold and replaced with new securities annually, usually expressed as a percentage of the fund's total assets." (American funds)
- "Portfolio Turnover % is the percentage of the fund's assets that were sold during the most recent fiscal period." (Lipper)
- "Turnover Ratio is a measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets." (Morningstar)

For our class, the number of trades is used as a rough guide for your trading activities. That is, if the average holding is 4%-5% per position, there will be 20-25 positions in the portfolio. If 12 positions were sold, the turnover ratio would be 50%. Obviously, if you have uneven holdings, true for most cases, your final turnover ratio will be higher or lower than that of the commonly computed.

It is expected there will be a total of 12 round-trip equity trades per fund. Due to the fund size and liquidity constraints, the number of fixed-income round-trip trades is expected to be lower than 12. Each trade requires approval from 2/3 (and 3/4 for the Global Equity Fund) of the student fund managers. Additional trades will require the instructors' approval. The 12-roundtrip-trades threshold is designed to foster thoughtful investing. It is far more important for us to focus on the fund's "value propositions" than the turnover ratio. If your fund would like to make additional trades, please submit a memo and discuss how additional trades would fit into your overall investment strategy.

Performance Evaluation Benchmarking:

Each fund will develop a brief statement of its own investment strategy, including the decision-making process within the fund. The statement should provide sufficient description of the fund's characteristics and attributes.

1. Two Individual Fund Benchmarks:
 - Legacy Portfolio, i.e., the inherited portfolio. (Bogie of doing nothing, i.e., a buy-and-hold strategy)
 - Market Benchmark (a risk-adjusted portfolio) are as follows:

Babcock California Fund (BCF)	Global Equity Fund (GEF)	Marshall Fixed-Income Fund (MFF)	Provident Growth Fund (PGF)	Trojan Equity Fund (TEF)
Russell 2000 Index	MSCI All Country World Index	Blended Index*	Russell Mid-Cap Growth Index	Russell 1000 Value Index

*The blended benchmark is 70% Barclays US Intermediate Credit Index and 30% Barclays US High Yield Bond Index.

2. One Aggregate SIF Fund Benchmark: A market-cap weighted average of all market benchmarks.

COURSE MATERIALS

1. Required:

- Investments, by Bodie, Zvi, Alex Kane and Alan J. Marcus, McGraw-Hill Irwin, 10th Edition, 2014.
- The Most Important Thing: Uncommon Sense for the Thoughtful Investor, by Howard Marks, 2011.

2. Optional:

- A Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing by Burton G. Malkiel
- Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets by Nassim Nicholas Taleb
- Inventing Money: The Story of Long-Term Capital Management and the Legends Behind It by Nicholas Dunbar
- Irrational Exuberance by Robert J. Shiller
- Investment Illusions: A Savvy Wall Street Pro Explores Popular Misconceptions About the Markets by Martin Fridson
- Liar's Poker: Rising Through the Wreckage on Wall Street by Michael Lewis
- Reminiscences of a Stock Operator by Edwin Lefevre
- The Education of a Value Investor by Guy Spier
- The Wall Street Journal, Barron's, Business Week, Economist, Forbes

3. Calculator: An HP 12C, 17B, or 19B calculator is strongly recommended.

4. SIF Community Pages and USC Blackboard Course Pages:

All information for this course, including announcements, assignments, and other resources, will be posted on the SIF Community Pages. In addition, the Fund reports, trade confirmations, stock pitches write up, investment decisions/records etc. will be posted on the SIF Community Pages. As a result, USC Blackboard Course Pages, <https://blackboard.usc.edu> will be used as a backup system. If you have any questions or need assistance with the Blackboard Course Pages, please contact the Marshall Help Desk (Hoffman Hall Room 300, (213) 740-3000, or HelpDesk@marshall.usc.edu).

5. USC Marshall Library Resources:

These resources are to be used for academic purposes only and not at internship sites.

- Kimberly Esser, Business Information Specialist, (213) 740-6255, kim.esser@marshall.usc.edu
- Crocker Business Library Front Desk, (213) 740-8520
- Ask-A-Librarian: http://www.usc.edu/libraries/services/ask_a_librarian/

EXPECTATIONS

You are expected to have completed the assigned reading(s) **prior** to class. While in the classroom, it is very important that you give your undivided attention to the classroom discussion. In addition, you are expected to stay abreast of current issues in the economy and financial markets. We strongly recommend that you subscribe to a daily business journal (e.g., the Wall Street Journal).

Because of the experiential nature of the course, attendance/participation is important. If you expect to miss a class, please email us by 8:00AM on the day of the class you are missing with a simple explanation. You are responsible for any absences from class. If you miss a class session, get notes and materials from your fellow group members. A "buddy system" is highly recommended. Arrange with your group members to pick up extra handouts.

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is

located in STU 301 and is open 8:30AM - 5:00PM Monday through Friday. The phone number for DSP is (213) 740-0776.

EVALUATIONS:

Spring 2017 Semester:

Class Participation: Lectures/Guest Lectures, Company Visits, and Special Projects	20%
Portfolio Management & Briefings: Fund Management Individual Portfolio Updates Group Quarterly Reports & Presentations Fund Analysis	20%
Security Pitches	20%
Company Research Reports	20%
Annual Report	10%
Quiz	10%
TOTAL	100%

- 1. Class Participation.** Active class participation is strongly encouraged since the class is structured as a seminar. The class participation grade will reflect our assessment of both the quantity and quality of a student's individual contribution to the classroom learning environment. It is expected that you will actively engage our guest speakers with questions. Be prepared for "cold-calling" in all class meetings. Note that regular attendance is necessary for class participation; however, it is not sufficient for a higher letter grade in this class.

Class Participation consists of the following components:

- Lectures: Read assigned materials before the class and actively participate in in-class discussions.
- Company Visits/Guest Lectures: Students are responsible for asking questions in each guest lecture and company visit. You are encouraged to actively participate in discussions with professionals in the investment industry.
 - **Post a one-pager about the business, the host of the company that we will be visiting and the guest speakers, as well as common questions for the host/guest speaker on SIF Community Pages under "General/Company Visits" by noon on the Monday before the visit/guest lecture.** Students are required to read the primer and be prepared to actively participate in onsite and in class discussions.
- Security pitches: Actively ask questions during the Q&A of security pitches and provide feedback to your fellow managers on their pitches.
- Special Projects: Actively participate in recruiting the new class, promoting the SIF program, arranging new company visits, inviting new guest speakers, building alumni network...etc.

- 2. Portfolio Management and Briefings**

- Fund Management: As part of active portfolio management, the student managers are responsible for creating investment screening templates, building valuation spreadsheet models, developing portfolio tracking and financial reporting templates, and refining stock pitching tear-sheet templates.
- Quarterly Reports & Presentations: Each quarter, you will write a letter to your investors, sharing your thoughts on the markets, individual trades/positions, YTD for the fund and its relative performance to the respective benchmarks as well as what is ahead. In addition, a representative fund manager will make a ten-minute in-class presentation.

- Each fund should **post a one-page investor letter with appendices** (including portfolio holdings, industry breakdowns, YTD for your fund, the legacy portfolio and the market benchmark) **and PowerPoint slides on SIF community pages under “General/Fund Briefings” by noon on the Monday before the presentation.** A sample investor letter will be provided. **Late assignments will not be accepted.**
- Such reports can be posted on the USC Marshall CIS website.

3. **Security Pitch.** This assignment is designed to give you an opportunity to recommend a new stock/bond for the SIF portfolio. You will quantify your recommendations and concisely make your recommendations verbally as well as in writing. It will also acquaint you with some of the practical problems associated with the estimation of parameters upon which financial managers must rely in making investment decisions. The written report will serve as the tear-sheet for your verbal stock pitching.

This consists of a one-page written report and a three-minute verbal presentation (No PowerPoint slides are allowed during the presentation), followed by a 12-minute Q&A and feedback. Students will also participate in the grading of this exercise.

To quantify your recommendations, you are required to use market comparables method and the discounted cash flow approach to estimate the intrinsic value of your recommended stock. Specifically, you will create a one-page tear-sheet and up to 5 supporting pages of easily readable 8 ½"x11" pages of exhibits, graphs, figures and list of references to address the following questions.

- What is the business? (very brief)
- What is your investment thesis? (Concisely discuss the two-three reasons why you want to own the stock.)
- What are the potential catalysts that may drive the stock higher? (e.g., earnings surprises, margins expansion, favorable macro data, etc.)
- What are the key risks to the stock? (e.g., pricing pressure from competition, rising costs on inputs etc.)
- What is your valuation and price target? (e.g., Based on EV/EBITDA and DCF, the stock should be worth \$ today and \$ next year. Your price target is \$X this year and \$Y 2017.)

Post your one-page tear-sheet on SIF Community Pages under “General/Stock Pitches” **by noon on the Saturday before the presentation and bring 18 copies to the class on the day of your presentation. Late submissions will not be accepted.**

4. **Company Research Reports.** For the SIF's current portfolio, you will research and write company research reports **for each of the companies that you cover.** These company reports are an important part of the class, specifically, analyzing and recommending stocks for purchase or sale. These reports are designed to help crystallize your thinking and force you to put in words your rationale for considering a stock. They will also provide continuity for the managers who will inherit your portfolios. **These reports should be posted on SIF Community Pages by February 27, 2017.**

The audience of these reports is the investment committee. The report should include a two-page 1.5-lines-spaced (text) report, and up to 10 pages of appendices of easily readable 8 ½"x11" pages of exhibits, graphs, figures, and list of references. These reports will be graded and account for 20% of the course grade.

We recommend that you adopt the following analytical framework for your report:

- How large is the gap between the intrinsic value and the market price? How do you analytically support this?
- What are the catalysts and when do you expect the market to realize this gap?
- Mindset: For every trade, there is a buyer and a seller. Do you know why your counterparty is buying from or selling to you?

We also recommend that you take advantage of the Excel valuation template created by Kevin Finn, a member of SIF 2012, and updated by Daniel Mintz, and include the following in your final report:

- Investment Thesis—What is your investment thesis (value v. growth)? And, why?

- Business Model—How does the firm make money?
- Competition—How long can it sustain its competitive position?
- Catalyst and investment horizon—Why now?
- Valuation—What methods did you use and what is the target price?
- Risk Factors—What are the risk factors associated with this position?

Key stats should be included in the tear-sheet, e.g., the revenue breakdowns (segment and geography), comparative advantage(s) relative to the competitors, various metrics between accounting measures (EBITDA, EPS) and stock prices as well as current stock price and historical trends of stock prices, earnings, etc.

5. Annual Report

- Each SIF member is expected to actively participate in the production of the SIF 2017 Annual Report. The content of this report and the lead managers will be determined in class by the end of January.
- The lead managers will publish the Annual Report production schedule on the SIF Community Pages.
- The Annual Report will be posted on the USC Marshall CIS website.

CLASS MEETING

For each class meeting:

1. Lectures (2:00pm-4:50pm, with a break from 3:20pm-3:30pm)
2. Presentations and Discussions
3. Guest Speakers (for some class meetings)

FRIDAY TRAINING & COMPANY VISITS

Training: Approximately two-three hours. Meeting time varies.

Company Visits: Approximately 1.5-2 hours. Meeting time varies.

INVESTMENT TOOLS

Below contains a description taken from the various websites of the associated financial analytics. **These resources are to be used for academic purposes only and not at internship sites.**

- *Bloomberg*
- *Capital IQ*

RESEARCH REPORTS

These resources are to be used for academic purposes only.

- Oaktree Capital Chairman's Memos
- USC Marshall Online Resources
- Other

STATEMENT OF ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Academic Conduct

Plagiarism – presenting someone else's ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Section 11, *Behavior Violating University Standards* <https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct/>.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the *Office of Equity and Diversity* <http://equity.usc.edu/> or to the *Department of Public Safety* <http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us>. This is important

for the safety whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report, or can initiate the report on behalf of another person. *The Center for Women and Men* <http://www.usc.edu/student-affairs/cwm/> provides 24/7 confidential support, and the sexual assault resource center webpage sarc@usc.edu describes reporting options and other resources.

Support Systems

A number of USC's schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the *American Language Institute* <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students. *The Office of Disability Services and Programs* http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html provides certification for students with disabilities and helps arrange the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, *USC Emergency Information* <http://emergency.usc.edu> will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.

No audio or video recording is permitted.

EMERGENCY PREPAREDNESS/COURSE CONTINUITY

In case of a declared emergency if travel to campus is not feasible, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies.

Please activate your course in Blackboard with access to the course syllabus. Whether or not you use Blackboard regularly, these preparations will be crucial in an emergency. USC's Blackboard learning management system and support information is available at blackboard.usc.edu.

INSTRUCTORS

Suh-Pyng Ku, Professor of Clinical Finance & Business Economics, Director of the USC Marshall Center for Investment Studies & Vice Dean for Graduate Programs

Some professional experiences:

- Vice Provost of Continuing Education and Summer Programs for USC
- Chief Information Officer and Vice Dean of Academic Information Services at the USC Marshall Program
- Program Director and Associate Dean of the full-time USC Marshall MBA Program
- China Country Desk Officer for the USC Marshall PRIME Program
- Financial analyst for the Central Bank of China in Taiwan
- Ph.D. in Finance from USC

Scott Abrams, Lecturer of Finance & Business Economics

Some professional experiences:

- Executive Director, Motion Picture Finance, Sony Pictures Entertainment
- Manager, Finance, Warner Bros.
- Senior Accountant, Deloitte & Touche
- MBA, Finance Concentration, USC Marshall
- BA, Business Economics, UCLA
- CPA, State of California

COURSE OUTLINE

Week-Date	Topic
<p>1-Jan. 9 (Monday)</p> <p>3:30-4:50PM</p>	<p>Review Spring 2017 Course Plan</p> <ul style="list-style-type: none"> • Company visits & Guest speakers (Tearsheets preparation sign up) • Company research reports (One per week and the final report is due on February 27th) • SIF 2017 Annual Report production plan (The role of each SIF 2017 fund manager) <p>Quarterly Portfolio Reports & Presentations: Spellman, Mandavilli, Wu, MacDonald, Pham & Zhou (5-minute presentation, followed by 5-minute Q&A for Q3 reports, ending 12/31/16)</p> <ul style="list-style-type: none"> • AUM, Portfolio holdings, Number of trades (buy & sell) for Q3 and Q1-Q3, top and bottom performers by contribution • Forward looking <p>Topic 1: Investment Environment</p> <p>Discussion:</p> <ul style="list-style-type: none"> • Short-term outlook for January - March 2017 • Longer-term outlook: Q1'17 – Q4'21 <p>Guest Speaker: Mike Gitlin, Head of Fixed Income, Capital Group, on “The Investment Environment”</p> <p>SIF 2018 Recruiting Guidelines:</p> <ul style="list-style-type: none"> • SIF 2018 class to be announced by 2/6/17 • Round I Interviews on 1/20/17 (conducted by SIF 2017 managers) • Schedule (Resumes, Applications, Supplemental Information on applicants) • Questions/Objectives/Evaluations • Quiet Period • Review 2017/2018 SIF Transition Plan
<p>2-Jan. 16 (Monday)</p>	<p>No Class – Martin Luther King’s Birthday</p>
<p><i>Jan. 20 (Friday)</i> 8:00AM-2:00PM (JKP301A-G ELC Rooms)</p>	<p>Round I Interviews for SIF 2018 managers</p> <ul style="list-style-type: none"> • 8:00AM-12:00PM Interviews • 12:00-12:30PM Lunch (<i>Sandwiches will be provided</i>) • 12:30-2:00PM Debriefing

<p>3-Jan. 23 (Monday)</p> <p>2:00-3:20PM</p>	<p>Topic 2: Bond Portfolio Management</p> <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapters 14-15 • Ku & Abrams, Bond Notes <p>Guest Speakers – Sean Johnson, Portfolio Manager and Molly Schwartz, Portfolio Analyst, Western Asset Management</p> <p>Quarterly Portfolio Reports & Presentations Cont’d</p> <p>Security Pitches (1A)—4 Managers: Adedire, Adu-Gyamfi, Colosimo, Cowley (3-minute pitch, followed by 10-minute Q&A and 2-minute feedback per manager, please post the tearsheet along with the valuation model by noon on the prior Saturday—No late submissions will be accepted. See requirements under the section of “Security Pitch”)</p>
<p>4-Jan. 30 (Monday)</p> <p>3:30-4:50PM</p>	<p>Security Pitches (1B)—6 Managers: Friedman, Lau, Lee, Liu, MacDonald, Mandavilli (3-minute pitch, followed by 10-minute Q&A and 2-minute feedback per manager, please post the tearsheet along with the valuation model by noon on the prior Saturday—No late submissions will be accepted. See requirements under the section of “Security Pitch”)</p> <p>Guest Speaker: Steven Dietz, Partners Capital, on ‘Venture Capital Investing’</p> <p>Deliverables—SIF Financial Statements for the period ended September 30, 2016</p>
<p>5-Feb. 6 (Monday)</p>	<p>Topic 3: Portfolio Evaluation and Performance Attribution (re-visited)</p> <ul style="list-style-type: none"> • Sector allocation • Security selectivity • The interactive effect of sector allocation and security selectivity <p>Discussion:</p> <ul style="list-style-type: none"> • How do you attribute your fund performance? <p>Deliverables—Fund Analysis (Submit a one-page memo per fund by Jan. 23 to address the following questions via posting on the SIF community pages):</p> <ul style="list-style-type: none"> • What is your fund’s relative performance as of December 31, 2016? • How do you attribute your fund’s performance (using Bloomberg performance attribution)? <p>Security Pitches (1C)— 6 Managers: Miller, Pham, Robinson, Spellman, Wu, Zhou (3-minute pitch, followed by 10-minute Q&A and 2-minute feedback per manager, please post the tearsheet along with the valuation model by noon on the prior Saturday—No late submissions will be accepted. See requirements under the section of “Security Pitch”)</p>
<p>Feb. 15 – Mar. 31</p>	<p>SIF 2017/2018 Transition Period</p>

<p>6-Feb. 13 (Monday)</p> <p>5:00-6:00PM (Room: TBD)</p>	<p>Topic 4: Portfolio Construction & Management (re-visited)</p> <ul style="list-style-type: none"> • Risk, Risk Aversion, & Return • Portfolio Optimization <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapters 6-8 • Ku & Abrams, Portfolio Notes • <u>"Active Share and Mutual Fund Performance," A. Petajisto, Financial Analysts Journal, July/Aug. 2013</u> • <u>"Fundamental Indexation," R. Arnott, J. Hsu and P. Moore, Financial Analysts Journal, March/April 2005</u> <p><i>Fund Risk Analysis—Follow-up Feedback for Fund Analysis 2 (fall)</i></p> <p>Security Pitches (2A)—5 Managers: Adedire, Adu-Gyamfi, Colosimo, Cowley, Friedman (3-minute pitch, followed by 10-minute Q&A and 2-minute feedback per manager; please post the tearsheet along with the valuation model by noon on the prior Saturday—No late submissions will be accepted. See requirements under the section of "Security Pitch")</p> <p>Guest Speaker - TBD</p> <p>SIF 2017/2018 First Transition Meeting</p>
<p>7-Feb. 20 (Monday)</p>	<p>No Class – President’s Day</p>
<p>8- Feb. 27 (Monday)</p>	<p>Security Pitches (2B)—6 Managers: Lau, Lee, Liu, MacDonald, Mandavilli, Miller (3-minute pitch, followed by 10-minute Q&A and 2-minute feedback per manager; please post the tearsheet along with the valuation model by noon on the prior Saturday—No late submissions will be accepted. See requirements under the section of "Security Pitch")</p> <p>Topic 5: Market Efficiency, Behavioral Finance and Empirical Evidence</p> <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapter 11-13 • "Understanding market efficiency and its limitations," Howard Marks, The Most Important Thing, 2011 • "Bubbles, Human Judgment, and Expert Opinion," R. Shiller, <i>Financial Analysts Journal</i>, May/June 2002. <u>http://cowles.econ.yale.edu/P/cd/d13a/d1303.pdf</u> • "An Interview with Eugene Fama," Peter Tanous, <i>Investment Gurus</i> (Feb. 1997). <u>http://www.dfaus.com/2009/05/an-interview-with-eugene-fama.html</u> <p>Discussion:</p> <ul style="list-style-type: none"> • Do you think the market is efficient? If so, why; if not, why not? • What are the consequences of market efficiency for portfolio management and security selection? • Market Efficiency & Investment discipline of DFA <p>Company Research Reports Due—post all of your research reports on the SIF community site by the end of day.</p>

<p><i>Mar. 3 (Friday)</i> 9:00-10:30AM</p>	<p>Wilshire Associates Visit, hosted by Jason Schwarz, President, Wilshire Funds Management (1299 Ocean Ave #700, Santa Monica, CA 90401; 310-451-3051)</p>
<p>9-Mar. 6 (Monday)</p> <p>3:30-4:50PM</p>	<p>Security Pitches (2C)—5 Managers: <i>Pham, Robinson, Spellman, Wu, Zhou</i> (3-minute pitch, followed by 10-minute Q&A and 2-minute feedback per manager; please post the tear sheet along with the valuation model by noon on the prior Saturday—No late submissions will be accepted. See requirements under the section of “Security Pitch”)</p> <p>Guest Speaker: Lisa Mazzocco, Chief Investment Officer, USC, on “USC Endowment Management”</p>
<p>10-Mar. 13 – 17</p>	<p><i>No class – Spring Recess</i></p>
<p>11-Mar. 20 (Monday) 2:00-3:20PM</p>	<p>Guest Speaker: Cynthia Tusan, CFA, President, Strategic Global Advisors, LLC on “Quant + Fundamental Investment Strategies”</p> <p>Topic 6: Options</p> <p>Readings:</p> <ul style="list-style-type: none"> • BKM, Chapter 20-21 • Ku & Abrams, Option Notes
<p><i>Mar. 24 (Friday)</i> 10:00-11:30am (or Mar. 31)</p>	<p>Dimensional Fund Advisors Visit, hosted by Brian Walsh, Portfolio Manager and Vice President (1299 Ocean Avenue, Santa Monica, CA 90401; 310-395-8005)</p> <ul style="list-style-type: none"> • The U.S. and International equity funds • Bond strategies
<p>12-Mar. 27 (Monday)</p> <p>3:30-5:50PM</p>	<p>Quiz</p> <p>Guest Speaker: Robby Saggiu, Managing Director, Corient Capital Partners, on “Private Wealth Management”</p>
<p>13-Apr. 3 (Monday)</p>	<p>A Year in Review—Reflection of Fund Managers due</p> <p>Annual Report Preparation</p> <ul style="list-style-type: none"> • SIF 2017 Performance Review • SIF financial statements verified against BNY statements • SIF fund financial statements and consolidated financials due
<p>14-Apr. 10 (Monday)</p>	<p>Finalize SIF 2017 Annual Report; Submit to the Print Shop (via emailing Maria Fabian a PDF Annual Report by 5:00PM on Wed 4/12)</p>
<p>15-Apr. 17 (Monday)</p>	<p>Annual Meeting Slides due (1st draft)</p> <p>Annual Meeting Mock Presentations in the following order: TEF, PGF, BCF, GEF, and MFF</p> <p>Submit Annual Report Proof edits to the Print Shop (via emailing Maria Fabian a PDF Annual Report by 3:00PM)</p>

16-Apr. 24 (Monday)	<i>Annual Meeting Slides due (2nd draft)</i> <i>Annual Meeting Mock Presentations in the following order:</i> TEF, PGF, BCF, GEF, and MFF
<i>May 1 (Monday)</i> 3:30-8:00PM	<i>Annual Meeting—Keynote Speaker: TBD</i>

SIF 2017 ANNUAL REPORT PRODUCTION SCHEDULE

Chief Editor: Jon Friedman
Managing Editor: Chris Miller
Chief Accountant: Benson Liu

Fund Editors and Accountants:

	BCF	GEF	MFF	PGF	TEF
Editors	Sam Cowley	Eric Lau	Chris Miller	Abhigna Mandavilli	Michael Colosimo
Accountants	Bola Adedire	Vinson Pham	Scott MacDonald	Sam Lee	Stephen Robinson

Date	Task	Responsible Person(s)
Templates:	<ol style="list-style-type: none"> 1. Financial Statements 2. Fund Holdings 3. Fund Charts 4. Fund Text (font type, font size, word count? Etc.) 	Chief Accountants and Fund Accountants Chief Editor
Content:	<ol style="list-style-type: none"> 1. SIF Class of 2017 bios 2. SIF Class of 2018 bios 3. Reflection from Class of 2017 due 4. SIF Alumni Information; Add Class of 2016 Alumni 5. CIS Director's Annual Report Letter due to Editors 6. A Quote from Dean Ellis 	Chief Editor and Fund Editors Suh-Pyng Ku Chief Editor
Trading:	<ol style="list-style-type: none"> 1. Attribute SIF Scholarship expenses to each fund (by 3/10/17) 2. Generate cash to cover the scholarship withdrawal (by 3/17/17) 3. Last trading day for foreign securities (3/13/17) 4. Last trading day for domestic securities (3/24/17) 	Suh-Pyng Ku & Scott Abrams CSF, PGF & TEF funds GEF All Traders
Thursday, Mar. 9, 2017	<ol style="list-style-type: none"> 1. Contact USC investment office / BNY Mellon for expediting March 31st audited financials 	Suh-Pyng Ku
Performance: Tuesday, Apr. 4, 2017	<ol style="list-style-type: none"> 1. SIF Fund Performance 	Trader for each fund
Financials: Tuesday, Apr. 11, 2017	<ol style="list-style-type: none"> 1. Notes to Financial Statements 2. Financial statements verified against BNY-Mellon reports 3. Annual Report Final Draft due 	Chief Accountants and All fund accountants
Monday, Apr. 10, 2017	<ol style="list-style-type: none"> 1. Class Meeting to review Annual Report Final Draft 	All SIF 2017 Managers
Wednesday, Apr. 12, 2017	<ol style="list-style-type: none"> 1. Submit Annual Report to the Print Shop 	
Monday, Apr. 17, 2017	<ol style="list-style-type: none"> 1. Review and Revise Annual Report proof to the Printer 	All SIF 2017 Managers
Wednesday, Apr. 19, 2017	<ol style="list-style-type: none"> 1. Submit Final Annual Report to printer 2. SIF Annual Meeting slides due 3. SIF Mock Presentation 	All SIF 2017 Managers
Monday, May 1, 2017 3:30-8:00PM	The SIF Annual Meeting	All SIF 2017 Managers