

**FINA 469 (3 semester hours)**  
**Portfolio Practicum II**  
**Spring Semester**

**Objectives**

This is the second course in the two-semester portfolio practicum sequence. Student teams are responsible for analyzing the stocks and bonds held by the fund, and writing a report outlining the fund strategy and its performance. Pending available funding, a team will be chosen during the spring semester to participate in the annual R.I.S.E. symposium, the world's largest student investment forum sponsored by the University of Dayton.

**Prerequisite**

FINA 468 (Portfolio Practicum I)

**Text**

Required Texts:

*Managing Investment Portfolios: A Dynamic Process*, by John L. Maginn, Donald L. Tuttle, Jerald E. Pinto, and Dennis W. McLeavey, CFA Institute Investment Series, 2007.

*Investments*, by Bodie, Kane, and Marcus (this text is required in FINA 363)

**Outline**

- I. Fixed Income Portfolio Management
- II. Equity Portfolio Management
- III. Alternative Investments Portfolio Management
- IV. Risk Management
- V. Execution of Portfolio Decisions
- VI. Monitoring and Rebalancing
- VII. Evaluating Portfolio Performance
- VIII. Global Investment Performance Standards

**Learning Outcomes for FINA 469**

- discuss the strengths and limitations of the following approaches to asset allocation: mean–variance, resampled efficient frontier, Black–Litterman, Monte Carlo simulation, ALM, and experience based;
- discuss the structure of the minimum-variance frontier with a constraint against short sales;
- formulate and justify a strategic asset allocation, given an investment policy statement and capital market expectations;
- contrast the characteristic issues relating to asset allocation for individual investors versus institutional investors and critique a proposed asset allocation in light of those issues;
- formulate and justify tactical asset allocation (TAA) adjustments to strategic asset-class weights, given a TAA strategy and expectational data.

- compare and contrast, with respect to investment objectives, the use of liabilities as a benchmark with the use of a bond index as a benchmark;
- discuss the range of index-oriented bond investment strategies and compare and contrast pure bond indexing, enhanced indexing, and active investing with respect to the objectives, techniques, advantages, and disadvantages of each;
- discuss the criteria for selecting a benchmark bond index and justify the selection of a specific index when given a description of an investor's risk aversion, income needs, and liabilities;
- review and justify the means, such as matching duration and key rate durations, by which an enhanced indexer may seek to align the risk exposures of the portfolio with those of the benchmark bond index;
- contrast and illustrate the use of total return analysis and scenario analysis to assess the risk and return characteristics of a proposed trade;
- design a bond immunization strategy that will ensure funding of a predetermined liability and evaluate the strategy under various interest rate scenarios;
- demonstrate the process of rebalancing a portfolio to re-establish a desired dollar duration;
- explain the importance of spread duration;
- discuss the extensions that have been made to classical immunization theory, including the introduction of contingent immunization;
- critique the risks associated with managing a portfolio against a liability structure, including interest rate risk, contingent claim risk, and cap risk;
- compare and contrast immunization strategies for a single liability, multiple liabilities, and general cash flows;
- compare and contrast risk minimization with return maximization in immunized portfolios;
- demonstrate the use of cash flow matching to fund a fixed set of future liabilities and contrast the advantages and disadvantages of cash flow matching with those of immunization strategies.
- discuss the role of equities in the overall portfolio;
- discuss the rationales for passive, active, and semiactive (enhanced index) equity investment approaches and distinguish among those approaches with respect to expected active return and tracking risk;
- recommend an equity investment approach when given an investor's investment

policy statement and beliefs concerning market efficiency;

- distinguish among the predominant weighting schemes used in the construction of major equity share indices and evaluate the biases of each;
- compare and contrast alternative methods for establishing passive exposure to an equity market, including indexed separate or pooled accounts, index mutual funds, exchange-traded funds, equity index futures, and equity total return swaps;
- compare and contrast full replication, stratified sampling, and optimization as approaches to constructing an indexed portfolio and recommend an approach when given a description of the investment vehicle and the index to be tracked;
- summarize the reasons for the creation of the GIPS standards, the Standards' evolution, and their benefits to prospective clients and investment managers;
- formulate the objectives, key characteristics, and scope of the GIPS standards;

- explain the fundamentals of compliance with the GIPS standards, including the definition of the firm, the conditions under which an investment management firm can claim compliance, and the correct wording of the GIPS compliance statement;
- state the requirements and recommendations of the GIPS standards with respect to input data, including accounting policies related to asset valuation and performance measurement;
- summarize and justify the requirements of the GIPS standards with respect to return calculation methodologies, including the treatment of large external cash flows, cash and cash equivalents, and fees and expenses;
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