

The University of British Columbia
Sauder School of Business
Topics in Investment Management, BAFI 519, Oct-Dec 2018

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I. Course Description and Learning Objectives, General

The area of investments covers a broad range of topics related to how individuals and institutions allocate capital across asset classes and individual risky securities. The topics in the course will vary according to the interests of the students and the instructor and with changes in the field of investments.

The course will focus on selected recently emerging topics, research findings, and areas gaining prominence in industry that are not yet covered elsewhere in the finance curriculum. Primary resources and methods will be the study of working papers, journal articles, and industry publications that develop new ideas, consideration of real-world examples and practitioner experience, and student-led implementation of potential investment and trading strategies. Example course outcomes are that students can:

- Understand the roles, objectives, and strategies of different types of investors and traders.
- Evaluate the potential benefits and risks of different investment and trading strategies.
- Contribute to developing and/or implementing new investment and trading strategies.
- Explain one's analysis and conclusions to other investment professionals and potential clients.

II. Topics

A unifying focus of the course this year will be *thematic investing*, the idea of targeting specific long-term structural changes in the economy to help guide investment portfolio construction. This is a topic that should be accessible and tailored to the abilities of a wide range of MBA students, including those focusing on finance but also strategy, marketing, generalists, or other areas. Understanding thematic investing (including who you are competing with, i.e., other market participants) also provides a context in which to develop other important concepts in investments. The frameworks we will pursue include:

- Asset allocation and the role of modern portfolio theory (mean-variance analysis).
- Factor investing:
 - Empirical factors (e.g., size, value)
 - Macro factors (e.g., GDP, inflation)
- Quantitative finance/algorithmic trading: We will learn to automatically download finance data from web sources and implement basic quantitative trading strategies using the programming language Python. Don't be scared off by this, even if you have no programming background. This will be at an introductory level, broadly accessible, but hopefully enough to give you an idea how some market participants implement strategies.

- Behavioural finance (time permitting).
- Fundamental investing / valuation (time permitting and as necessary to complete our course project, depending on backgrounds of students)

III. Student Work and Evaluation

Class/group project: Your group project (2-3 students per group) will be to develop an investment theme and follow this theme through to recommended investments. The steps will be:

- Develop a theme. Why is it important? Interesting? What is the time horizon over which you expect it to develop?
- Critically evaluate the theme: is it already a “crowded” space? If so, are there angles on the theme (second order, third order) that might not be as well recognized or popular?
- Identifying the opportunity: Explain why there is an opportunity. Is this an instance of a growth area that is unrecognized? Misplaced or excessive fear driving down valuations?
- Accessing the theme: How can you invest in the theme? Broad instruments such as asset classes or ETF’s? Individual companies?
- Screening: To establish a common objective for everyone and to go through a company level investment analysis, aim to identify 2-3 “top picks,” or individual companies that you would recommend based on your theme and view of valuation. The screening process can start at a high level with a broad set of companies in a given industry, country, etc. Identify criteria based on your theme. Then narrow your focus to a smaller set by applying additional criteria: data availability, size, presence of other catalysts, etc. Finally, for a small group use standard valuation methods (multiples, discounted cash flow) to provide an additional criterion for your investment recommendation.
- Identify the role of your thematic view in your investment decision. This is a higher level of analysis. The objective is to be explicit about how your thematic view relates to your investment recommendation through valuation. Do you forecast higher growth than consensus views, or lower discount rates, and how does this relate to the insights of your theme? For the final project each team will submit a written report and make a final presentation.
- Risk: What risks does this theme expose one to? There is the obvious risk of the theme not materializing, but look at risk in other ways: e.g., market risk (beta), value vs growth exposure, macro exposures. Understanding the risk exposures of your recommended investment is important when your investments are part of a larger portfolio.

Evaluation of the projects will be based on:

- 1) Appropriateness and interest of the topic
- 2) Demonstrated understanding of the context and relevant literature
- 3) Ambitious sourcing and use of data
- 4) Appropriateness of methodology and implementation
- 5) Interpretation of results
- 6) Communication, both written and verbal

The group project will consist of a 3-5 page written memorandum (not including attachments), as well as a final presentation, or “pitch”, for the theme in lieu of a final exam.

Individual essay: Write an individual essay on a topic of your choosing related to the course. The objective will be to learn on your own more about a topic of interest. The essay will be 3-4 pages in length, and will be based on a minimum of 3-5 readings (more is ok). At least one reading must be “academic”, and at least one reading must be from the popular press or industry. You must add your own perspective, not simply summarize the opinions of the background articles. Explain why the topic is important; relate the articles you have read to one another and to current events; conjecture about future research or investigations that could help to shed more light on the topic. It is ok if the topic you choose for your individual essay is related to your team project, but this is an opportunity for you to broaden your understanding of investment topics, so feel free to range outside of things you have already worked on. (20-30%)

Other: The remainder of the course grade will be based on participation (typically 10%) and any graded homework assignments (expect one or two).

IV. Materials

Course materials will be available on Canvas.

V. Policies

This is a course where data and computation are important, so you are encouraged to bring your laptop to class. Please keep laptop/device usage limited to class-related activities.