

UNIVERSITY OF WATERLOO
SCHOOL OF ACCOUNTING AND FINANCE
Investment Management - Project Course
Fall 2018

Course Outline

AFM 328 - Investment Management – Junior Analyst
 AFM 329 - Investment Management – Senior Analyst
 AFM 428 - Investment Management – Junior Portfolio Manager
 AFM 429 - Investment Management – Senior Portfolio Manager

Each of the above courses represents a 0.25 course credit.

Instructors:

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Course Description: In the Investment Management Project Course, students manage an investment portfolio, the School of Accounting and Finance Student Investment Fund (the “Fund”). The Fund provides students with an educational experience in an institutional setting. The Fund provides students hands-on-training in equity valuation and portfolio management with guidance from industry experts and supervision by finance faculty. The investment objective of the Fund is to generate long-term growth of the Fund's assets. The Fund will invest in a broadly diversified portfolio of mid-to-large capitalization stocks of Canadian and U.S. issuers that may provide capital gains and/or income.

Course Enrollment: Participation in the Fund is restricted to students enrolled in the following SAF programs: Accounting and Financial Management, Mathematics/ CPA, Biotechnology/CPA, Computing and Financial Management, and Master of Accounting. To avoid conflicts of interest that could arise during co-op terms, students will participate in the Fund only during their study terms. Students will be selected through an application and interview process based on academic performance, work experience, aptitude, and demonstrated interest in finance. Course enrollment requires instructor authorization.

Pre-requisite: Managerial Finance 1 (AFM 271/ AFM 273), Corporate Finance 1 (AFM 272)

Co-requisites: AFM 274 or AFM 372/ACTSC 391, Accounting and Financial Management, Computing and Financial Management, Mathematics/ CPA, Biotechnology/CPA students in a 3A or later term,

Meeting Time and Venue: Monday/Wednesday, 5:30-6:50 pm, HH 2104

Student Roles:

AFM 328 (0.25) Project (PRJ) - Investment Management – Junior Analyst

This will generally be the first course that students take when they join the investment fund team. A student enrolled in the course will take on the role of a Junior Analyst and will be assigned an industry sector during the term. Students will start the learning process by understanding the sector, its sub-sectors and its drivers.

Each Junior Analyst will assist a Junior Portfolio Manager in monitoring current holdings in his assigned sector. Specifically, Junior Analysts will assist in keeping the team updated on current holdings at the start of the term, material news regarding the holdings during the term, and provide a final update (presentation, valuation, and two-page research report) and two slides on each holding for use at the Advisory Board presentation toward the end of the term.

Each Junior Analyst will present an overview of the assigned sector and present updates on current holdings with his Junior Portfolio Manager.

Junior Analysts will work closely with their Senior Analysts, Junior Portfolio Managers, and Industry Mentors in following their assigned sectors.

The course evaluation will be based on the following:

Industry overview and current holdings presentations	40%
Assist Portfolio Managers in monitoring current holdings, providing holdings updates, research reports and updated stock valuations	40%
Attendance and participation in sessions	10%
Faculty and peer evaluation	10%

AFM 329 (0.25) Project (PRJ) - Investment Management – Senior Analyst

This will generally be the second course that students take when they are involved with the investment fund. A student enrolled in the course will take on the role of a Senior Analyst and will conduct research on equity securities in a particular sector. Each Senior Analyst will report to a Junior Portfolio Manager. Each Senior Analyst will be provided with a list of stocks at the start of the term. The list could include stocks that were shortlisted or pitched in previous terms. The Senior Analyst will make an initial presentation that includes a preliminary review, investment merits, investment risks (basic pros and cons) and indicative valuation based solely on comparable company analysis for four stocks and a recommendation of a single stock for additional follow-up. The Senior Analyst will make a follow-up pitch on a single stock that includes a detailed valuation, an extended investment thesis and a trading recommendation to the investment team. The Senior Analyst will also prepare an equity research report following the template provided. Expected deliverables at the second stock pitch will include i) an Excel valuation model including the three primary valuation methodologies, ii) a PowerPoint Presentation summarizing the detailed merits and weaknesses of the opportunity as well as the related model findings iii) An initiating coverage report iv) Two slides on each stock for use at the Advisory Board presentation. In this process, Senior Analysts will have a good understanding of the stocks that they are recommending. Senior Analysts will learn to develop and present their investment thesis, prepare detailed financial valuation models, and defend their recommendations. Senior Analysts will work closely with their peer Analysts, Portfolio Managers and Industry Mentors.

The course evaluation will be based on the following:

Presentation I - (presentation, Q&A, and spreadsheet)	15%
Presentation II - (presentation, Q&A, and spreadsheet)	30%
Initiating coverage report on stock with valuation spreadsheet	25%
Mentoring Junior Analysts	10%
Attendance and Participation in sessions	10%
Faculty and peer evaluation	10%

AFM 428 (0.25) Project (PRJ) - Investment Management – Junior Portfolio Manager

This course provides students hands-on-training in equity valuation and portfolio management. As a Junior Portfolio Manager (JPM), a student will monitor his/her assigned sectors, monitor the performance of the current equity holdings in their sectors, mentor Senior and Junior Analysts, and make equity trading decisions for the assigned sectors. The JPMs will present macroeconomic updates of the assigned sectors and their equity holdings to the investment team and the Advisory Board.

Each JPM will provide a brief update on current holdings with his Junior Analyst at the start of the term. With the assistance of a Junior Analyst, each JPM will keep the team updated on material news regarding the current holdings throughout the term, and provide a final update (presentation, valuation spreadsheet, and two-page research report) and two slides on each stock for use at the Advisory Board presentation toward the end of the term. Each JPM will also update EPS estimates for the next two quarters for current holdings in the assigned sector, and the trading decision analysis updated for the term.

JPMs will mentor the Senior Analysts and guide them in all aspects of their work, including performing the financial valuation analysis, preparing research reports, making presentations and responding to questions. This course will give the student an opportunity to gain expertise in industry sectors, mentor analysts, oversee their work, and make decisions on investment allocations across the sectors.

The course evaluation will be based on the following:

Sector macroeconomic overview	20%
Company update presentations on current holdings research reports, updated valuations	20%
Trading decision analysis	10%
Mentoring Analysts	15%
Faculty and peer evaluation	10%
Advisory board presentation	15%
Attendance and participation in sessions	10%

AFM 429 (0.25) Project (PRJ) - Investment Management – Senior Portfolio Manager

This course provides students hands-on-training in equity valuation and portfolio management. As a Senior Portfolio Manager (SPM), a student will make allocations in and monitor different industry sectors, monitor the performance of the portfolio, and make equity trading decisions for the portfolio and present portfolio performance reports to the investment team, mentors and the Advisory Board. Senior Portfolio Managers will mentor the Junior Portfolio Managers and analysts and guide them in all aspects of their work.

Where there is no JPM for a sector, the SPM will assume the duties of the JPM for that sector.

Students serving as Senior Portfolio Managers could also be assigned leadership roles such as Chief Executive Officer (CEO), Chief Strategy Officer (CSO) and Chief Investment Officer (CIO). This course will give the student an opportunity to gain expertise in multiple sectors, mentor analysts, oversee their work, and make decisions on investment allocations across the sectors.

The course evaluation will be based on the following:

Leadership and faculty evaluation	20%
Mentoring	15%
Sector macroeconomic overview	10%
Company update presentations on current holdings research reports, updated valuations	20%
Trading decision analysis	10%
Advisory board presentation	15%
Attendance and participation in sessions	10%

- Students will receive a numerical grade in the course with the passing grade being 50%.
- All team members are expected to participate in the course. This includes participating in class discussions and interacting with their team members, mentors and faculty.
- Examples of past reports on new pitches and existing holdings and related presentations are available at the Fund's LEARN site.
- The initiating coverage report must be of high quality, i.e., similar to reports issued in the industry. The research report should be comprehensive, thoughtful, and persuasive and backed by a thorough analysis.
- The Portfolio Managers and Junior Analysts must review the most current report and valuation model on existing holdings and provide updates on material changes during the term.
- Feedback on the presentations will be provided by Faculty during class and at weekly meetings.
- Attendance is mandatory and if you cannot attend for valid reasons (such as an illness, interview, or exam) please inform the faculty.
- The course follows a strict schedule. Adherence to the deadlines as described briefly in the schedule is very important. Any missed deadline for a specific deliverable will result in a mark of zero.
- Each student in the investment team has been assigned an industry mentor with expertise in the industry sector of interest to the student.

- **Each student will be assigned a Faculty mentor. A team consisting of a Portfolio Manager, Senior Analysts and Junior Analysts following an assigned sector will meet the faculty mentor every week.**

The sector assignment for Faculty mentors are as follows:

- Andrew Ecclestone – Healthcare, Energy, and Utilities
 - Garvin Blair – Materials, Financials and TMT
 - Ranjini Jha – Consumer and Industrials
- If you have any questions or concerns, don't hesitate to talk to the Professors.

All deliverables must be uploaded to the dropbox by 6 p.m. before the next day's class to facilitate informed discussion. Any delay in uploading the required material will result in a penalty for the grade allocated to that deliverable.

End-of-term deliverables - All initiating coverage reports, current holdings updates, valuations, sector outlooks, trading decisions analysis to be uploaded to LEARN by Thursday, November 22, 8:00 a.m.

Code of Conduct:

1. The investment team will direct the investment of the Fund in accordance with the Statement of Investment Policy and Procedures, and as may be amended from time to time.
2. The team will comply with all applicable Canadian federal and provincial legislation and regulations concerning the investments in the portfolio. As an Ontario domiciled entity, the Fund will be subject to the regulations administered by the Ontario Securities Commission and the Investment Regulatory Organization of Canada (IIROC).
3. All students are expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute, <http://www.cfapubs.org/toc/ccb/2014/2014/4> and <http://www.cfapubs.org/toc/ccb/2014/2014/6>.
4. As an analyst, a student is expected to follow the Best Practice Guidelines Governing Analyst/Corporate Issuer Relations issued by the CFA Centre of Financial Market Integrity and the National Investor Relations Institute <http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2005.n7.4004>. The guidelines are intended to enhance analyst independence, minimize and disclose conflicts of interest, and improve the integrity of investment research.
5. As a portfolio manager, a student is expected to comply with the Asset Manager, Code of Professional Conduct as promulgated by the CFA Institute, <http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2009.n8.1>
6. As a portfolio manager, a student is expected to follow the Best Practice Guidelines Governing Analyst/Corporate Issuer Relations issued by the CFA Centre of Financial Market Integrity and the National Investor Relations Institute <http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2005.n7.4004>.

The guidelines are intended to enhance analyst independence, minimize and disclose conflicts of interest, and improve the integrity of investment research.

7. Consistent with UW Policy 69, “Conflict of Interest”, and applicable securities legislation, a Student must disclose any direct or indirect association or material interest or involvement in aspects related to your role with regard to the Fund that would result in any potential or actual conflict of interest.
8. As a member of the investment team, you will manage the portfolio with the care and diligence that an investment manager of ordinary prudence would use in managing a portfolio.

UNIVERSITY POLICIES:

Academic Integrity

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity webpage](#) and the [Arts Academic Integrity webpage](#) for more information.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#). For typical penalties check [Guidelines for the Assessment of Penalties](#).

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70 - Student Petitions and Grievances](#), Section 4. When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

Appeals: A decision made or penalty imposed under Policy 70 - Student Petitions and Grievances (other than a petition) or Policy 71 - Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72 - Student Appeals](#).

Academic Offences and Implications

Students majoring in accounting programs at UW should be aware that, due to the highly structured nature of the study plans and the fact that many AFM courses are offered on a limited basis, a penalty imposed as a result of an academic offence could result in a significant delay of the student’s degree completion and convocation dates - particularly if the penalty involves a suspension.

Avoiding Academic Offences

The Faculty of Arts has prepared a website dealing with ways to avoid academic offences.

http://arts.uwaterloo.ca/arts/ugrad/academic_responsibility.html

Violation of Standards by another Student

Allowing another student to obtain course marks by deceit contributes to a general lowering of the ethical standards of the University and contributes to deception of potential employers and other academic institutions. Thus, you have an obligation to take some action when you know another student is violating the course's academic integrity standards. This is a difficult personal trial to face, but it is an important part of your ethical obligation as a student. If you know that another student is violating the standards, it is your responsibility to inform the student's instructor. This requirement closely parallels those found in the standards of conduct of all of the professional accounting bodies in Canada (see, for example, the Institute of Chartered Accountants of Ontario, *Rules of Professional Conduct*, section 211).

Note for students with disabilities: The AccessAbility Services office, located on the first floor of the Needles Hall extension (1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.

Tentative Course Schedule: Fall 2018 Term

Class time	5:30-6:50pm	Class location	HH 2104	Deliverables due at 6 p.m. of the day before the presentation	
Class	Date	Activity	Presentation	10-minute current event discussion/guest speaker at start of class	
1	Sep 10, 2018	Kickoff- Photos and Dinner Introduction	Faculty and Senior Portfolio Managers		
2	Sep 12, 2018	Boot Camp I – Basics include Presentation tips, PowerPoint and Excel Overview	Portfolio Managers		
3	Sep 17, 2018	Bootcamp 2- Valuation I and Finance Recruiting Session I	Portfolio Managers		
4	Sep 19, 2018	Bootcamp 3 – Valuation II and Finance Recruiting Session II	Portfolio Managers		
5	Sep 24, 2018	Fund Overview – Senior Portfolio Managers Industry Overview and Current Holdings Updates by Portfolio Managers and Junior Analysts	Industrials and Healthcare - Industry overview 10 minutes; two slides (5 minutes each) per stock update, Q&A 15 minutes – 4 holdings	No	
6	Sep 26, 2018	Industry Overview and Current Holdings Updates by Portfolio Managers and Junior Analysts	Consumer, TMT - Industry overview 10 minutes; two slides (5 minutes each) per stock update, Q&A 15 minutes – 4 holdings	Yes	
7	Oct 1, 2018	Industry Overview and Current Holdings Updates by Portfolio Managers and Junior Analysts	Financial - Industry overview 10 minutes; two slides (5 minutes each) per stock update, Q&A 15 minutes – 4 holdings	Yes	
8	Oct 3, 2018	Industry Overview and Current Holdings Updates by Portfolio Managers and Junior Analysts	Energy and Materials - Industry overview 10 minutes; two slides (5 minutes each) per stock update, Q&A 15 minutes – 5 holdings	No	
9	Oct 12, 2018 (Friday)	No class			
10	Oct 15, 2018	Presentation I – Senior Analysts – 3 presentations	7 minutes presentation, 10 minutes Q&A	Yes	
11	Oct 17, 2018	Presentation I – Senior Analysts – 3 presentations	7 minutes presentation, 10 minutes Q&A	Yes	
12	Oct 22, 2018	Presentation I – Senior Analysts – 3 presentations	7 minutes presentation, 10 minutes Q&A	Yes	
13	Oct 24, 2018	Free Slot			
14	Oct 29, 2018	Presentation II – Senior Analysts – 4 presentations	7 minutes presentation, 10 minutes Q&A	No	
15	Oct 31, 2018	Presentation II – Senior Analysts – 4 presentations	7 minutes presentation, 10 minutes Q&A	No	

Tentative Course Schedule: Fall 2018 Term

Class	Date	Activity	Presentation	15-minute faculty led discussion at start of class
16	Nov 5, 2018	Presentation II – Senior Analyst – 1 presentation	7 minutes presentation, 10 minutes Q&A	Yes
17	Nov 7, 2018	Current Holdings Updates by Portfolio Managers and Junior Analysts	Industrials - Industry outlook 10 minutes; two slides (5 minutes each) per stock update, Q&A 15 minutes – 3 holdings	Yes
18	Nov 12, 2018	Current Holdings Updates by Portfolio Managers and Junior Analysts	Consumer, Healthcare - Industry outlook 10 minutes; two slides (5 minutes each) per stock update, Q&A 15 minutes – 3 holdings	Yes
19	Nov 14, 2018	Current Holdings Updates by Portfolio Managers and Junior Analysts	TMT and Materials - Industry outlook 10 minutes; two slides (5 minutes each) per stock update, Q&A 15 minutes – 4 holdings	Yes
20	Nov 19, 2018	Current Holdings Updates by Portfolio Managers and Junior Analysts	Financial - Industry outlook 10 minutes; two slides (5 minutes each) per stock update, Q&A 15 minutes – 4 holdings	Yes
21	Nov 21, 2018	Current Holdings Updates by Portfolio Managers and Junior Analysts	Energy - Industry outlook 10 minutes; two slides (5 minutes each) per stock update, Q&A 15 minutes – 3 holdings	Yes
	Nov 22, 2018	End-of-term deliverables - All initiating coverage reports, current holdings updates, valuations, sector outlooks, trading decisions analysis to be uploaded to LEARN by Thursday, November 22, 8:00 a.m.		
22	Nov 26, 2018	Trading Recommendations		Yes
23	Nov 28, 2018	Free slot		
24	Dec 3, 2018	Advisory Board – Tentative date		