

**APPLIED INVESTMENT MANAGEMENT  
MBA 779 & BUSI 583H  
2023-2024  
KENAN-FLAGLER BUSINESS SCHOOL  
UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL**

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**Overview**

The objective of the Applied Investment Management (AIM) course is to provide students with a thorough grounding in the process of investment management, from the broad asset allocation decision to individual security evaluation and selection, through the management of the KFBS Global Perspectives Fund (GPF).

The class offers a unique opportunity for students to apply the tools they have learned in their other investment classes to an actual investment portfolio, in real-time market conditions.

The process of investment can be divided, both in theory and in practice, into two parts: security analysis and portfolio management. Security analysis is the attempt to determine whether individual securities are correctly valued in the marketplace, e.g., it is the search for mispriced financial assets. Portfolio management is the process of combining securities into a portfolio tailored to the investor’s preferences and needs, monitoring that portfolio, and evaluating its performance. This course provides an opportunity to learn about both parts of the investment process.

The purpose of the GPF is to:

1. Enhance the educational and professional opportunities of students through experiential learning; and,
2. Provide a competitive risk-adjusted return that can be used to generate direct financial support to the Investment Management program at KFBS.

This experience will be invaluable for students embarking on careers in investment and wealth management. Those pursuing finance-related jobs (e.g. investment banking, corporate finance) or even in completely unrelated fields can benefit. As instructors, we are committed to being more than your academic professors. We will be your mentors and attempt to provide guidance in group and individual sessions to “deep-dive” in areas you would like to learn more about and answer any career-related questions you may have.

The class, including the instructors, will be critiquing ideas, logic, presentations, portfolio positions, etc. You are expected to track existing positions, contribute new ideas to the portfolio, as well as create research for ideas occasionally proposed by instructors or the portfolio management team. Most of the work will be done outside class hours. The class will be focused on students presenting the results of their work and getting feedback from others.

The class will meet in person on Wednesdays from 15:30-18:20 in the Capital Markets Lab (CML, McColl 255). Students should be prepared to stay late after class for portfolio management meetings (usually 30 minutes past the end of class). In addition, students are required to meet outside of class to prepare for class presentations. We encourage you to meet in the CTM room, the meeting room across from CML, whenever you have free time. Being in the same room and informally meeting is the best way to come up with new ideas and learn from each other. Ideas, however, are a dime a dozen, and it is analysis supported by data that creates value.

### **Class Discussions**

Discussions in class and via email are to be candid but respectful. Occasionally, people will be highly critical of your work; we expect constructive criticism. Students are expected to learn from criticism as we all come from different levels of experience. In addition, all of you are encouraged to ask questions about topics with which you are not familiar. As instructors, we are not concerned about where you are but that you progress to stronger analyses. You are expected to take the feedback, do the additional work required, and come back to class with the results.

The class will be largely student-led. Although the management team will be taking the lead, we will attempt to rotate students who set the agenda and lead a class.

### **Required Reading Materials**

Knowing the contents of the fund's Investment Policy Statement (IPS) is of paramount importance. You will not be able to actively participate in the management of the fund by voting on decisions until you pass the compliance exam. We strongly encourage you to re-read this document from time to time to ensure that the policies are being adhered to, and that you are following your duties described therein. Rules and procedures spelled out in the IPS should become second nature to you within a short period.

You are expected to keep abreast of relevant market and business developments. Some publications that are useful in this regard are *The Wall Street Journal*, *The New York Times*, *Barron's*, *The Economist*, *Financial Times*, and *Bloomberg Business Week*. You may also use online tools like Google alerts, Yahoo Finance, and Seeking Alpha. We may send or post additional relevant readings from the CFA Institute, and other materials we come across throughout the year.

This class is called "Applied Investment Management" specifically because you will be putting to work the theory and tools you learn in other classes. That said, we will provide some specific instruction on equity valuation techniques and portfolio management. We are ready to work with each of you individually as necessary.

There is no required textbook or course pack. Since there are no costs to bear, there should not be a financial burden associated with this course. Undergraduate students who need help paying for course material may apply to the [Melwani Belonging Fund](#).

## Evaluation

This is a 6-credit course taught over two semesters. You may take the course for one semester or both and receive proportional credit.

Grade distributions will be as per University guidelines. Course grades will be based on (approximately):

Required Investment Recommendations and Research Reports	30%
Attendance / Class Participation / Assisting other Students	30%
Execution of Assigned Duties & Reports	20%
Contribution to the Development / Refinement of Investment Process	10%
Peer Evaluation (Considering all of the above elements)	10%

Course grades will be determined by your preparation and contribution. Class participation credit will be assigned based on the quality of your in-class contribution to the course. It is expected that all students will come to class prepared (e.g. having examined pitches for that session, completed readings, followed news on sector covered, etc.). The more thorough your work is, the higher your grade will be. We may ask you to drop or withdraw from the course if your participation and contribution to class is below expectations or disruptive. For students participating for two semesters, grades will be “marked-to-market”, that is overall performance will be the basis of your grade for both semesters. It will be a unique academic and collective learning experience for all of us.

The course does not have a traditional final exam in keeping with its objective of giving you a real-world experience of learning and doing simultaneously. We will, however, have class during exam weeks, following the second year MBA calendar. You will effectively be evaluated constantly, with feedback provided on how you can do better. Your grade will reflect our subjective assessment of your knowledge, contribution and judgement, and could be different from your own self-assessment. We cannot guarantee any particular grade in advance or change it after submission.

## Attendance

Attendance is mandatory for all sessions.

As stated in the University’s [Class Attendance Policy](#), no right or privilege exists that permits a student to be absent from any class meetings, except for these University Approved Absences:

1. Authorized University activities
2. Disability/religious observance/pregnancy, as required by law and approved by [Accessibility Resources and Service](#) and/or the [Equal Opportunity and Compliance Office](#) (EOC)

3. Significant health condition and/or personal/family emergency as approved by the [Office of the Dean of Students](#), [Gender Violence Service Coordinators](#), and/or the [Equal Opportunity and Compliance Office](#) (EOC).

You may skip a class if you have a job interview or exam at that time. However, taking time off to prepare for an interview or exam is not a valid reason to miss a class. We expect to hear from you in advance if you anticipate missing or being late for class. We adhere to this policy to stress the importance to the class of your presence and active engagement each week. Based on the judgment of the instructors, a pattern of missed classes will result in your being asked to drop the course. We do not have the capacity to facilitate attendance via Zoom (so don't ask!). If you miss a class, please get an update from one of your colleagues and review any material that may be emailed or posted on Canvas.

### Gadget Policy

We encourage the use of laptops or tablets for certain course-related activities during the class. This means using your laptop or tablet to take notes, follow along with an Excel spreadsheet or fact-check what is being presented. You are encouraged to verify in real-time whether the facts and figures being presented in class are accurate, and speak up if you believe otherwise. We will also be taking votes electronically on investment recommendations. It is inappropriate to use your electronic devices in class for non-course related activities.

### Pitches and Research Reports

A pitch may consist of any proposal that results in a specific investment recommendation. It would usually be a recommendation to buy or short a stock or bond, or an options strategy. Pitches must be properly conceived and presented, and should include the following elements:

- What are you recommending? You must be as specific as possible, including details on position sizes, # of shares, etc. You must include an exit strategy (e.g., target price, roll strategy, etc.)
- Why are you making this recommendation? What is the basis for it? Why will it work? Why should the fund make the change you propose?
- You must include detail on how your recommendation will alter the portfolio's structure (asset/sector weights, income, risk characteristics, etc.)
- Make a recommendation that, if approved, can be immediately implemented with no additional effort other than trade entry.

**The most essential aspect of any pitch is a clear argument for why the currently observed market valuation is incorrect! You must demonstrate that your view is different from the implied market view and how it provides an opportunity for excess risk-adjusted returns.**

Students are required to make at least one pitch per semester (may be in a small group e.g. your sector team). You can sign up for pitches once we complete the review of the existing portfolio. Occasionally, you may find it useful to do a "quick pitch" to gauge the class's views on whether it is worth exploring in detail. These are required to have some basic figures on why the security may be attractive, not just a description of the company's business.

You are required to build an Excel model with historical and projected financials for the stocks you cover and pitch. Assumptions used must be reasonable and justifiable. One of the biggest drawbacks we have found is that students focus too much on qualitative opinions rather than quantitative analysis. It is easy to have an opinion on where something is headed, but harder to express it in a way to convince others. When we buy a security, we are paying upfront for the cash we can extract from it over time. That is by its nature, a quantitative exercise, and where you can differentiate yourself from the investing masses.

You are also required to prepare an individual written research report on a security in Word format (5-10 pages) at the end of the year (or semester if you are not taking the course for the whole year) demonstrating what you have learned in the course. Put it in your calendar! You can recycle (with updates) any prior work for this assignment, as long as it is your own exclusive effort. Using generative AI applications or copy-pasting others' work is not permitted.

Historically, almost all pitches have tended to be long stock recommendations accompanied by overly optimistic projections. You are encouraged to demonstrate a healthy degree of skepticism in your analysis. Coming up with short ideas is useful in seeing the other side of the coin. Remember that it is rare for a company to sustain high growth rates long into the future. Margins are as likely to come down as they are to go up.

## **Assigned Duties**

Detailed job descriptions are provided below. Each student is responsible for appropriate updates corresponding to their assigned duties at the beginning of every class. The updates should include a description of developments and current events affecting the portfolio or assets assigned to each duty, as well as any recommended status of specific assets in the portfolio (e.g., buy, hold, sell). Every student is first and foremost a sector analyst. Any responsibilities on the management team are in addition to, not instead of, monitoring your sector.

### Investment Committee

The investment committee includes the faculty advisors and the student management team (the portfolio managers, the market strategist, the risk managers, the trader and the investor relations managers). All decisions are made by the students, specifically the management team, taking into account the opinion of the whole class. Faculty advisors do not have voting rights but will express their opinions and pressure-check yours. However, they have veto rights, particularly if the decision is in violation of the fund's IPS.

#### Portfolio Managers (PMs):

The PMs are responsible for coordinating the efforts of the management team. The responsibilities include oversight of all fund operations including analysis, execution, performance, communication and compliance. There will be certain administrative duties as well e.g. allocating students to sectors.

#### Market Strategist/Economist:

The market strategist is primarily responsible for overseeing the asset allocation among securities and sectors. Through economic forecasts and development of a market outlook, the market strategist should keep the managers and analysts abreast of economic and political developments and their potential effect upon the portfolio. The strategist is also responsible for identifying prospective tactical and strategic opportunities for the fund.

Risk and Performance Managers:

The risk managers are responsible for monitoring fund performance and risk. They are responsible for maintaining and improving the fund's risk management and performance analysis. Methods include comparisons to benchmarks, VaR, attribution analysis, peer comparisons etc. They may also offer opinions on how a potential position would affect the fund's risk metrics or what an appropriate position size should be.

Investor Relations Managers:

The investor relations managers are responsible for the coordinating of fund external contacts and communications. The duties include fund reporting and preparing presentations to the fund's Board.

Trader:

The trader is responsible for trade execution and control. Duties include sending out class votes, tabulating the results, and translating the decisions of the management team into the quantity of securities to be bought or sold. The trader must keep track of all facets of open positions, including derivative contract delivery and expiration dates.

Analysts:

Analysts are responsible for research, analysis, as well as the identification of risks and opportunities in their respective areas of focus. They are expected to present timely and well-supported ideas to add new positions and remove existing positions. Analysts must monitor all positions in their sector, make recommendations for opening/closing/rebalancing positions, and have a view on the relative merits of the sector versus other sectors. It is critical for analysts to track the news flow around positions in their sector, particularly timely analysis of earnings reports from companies.

Analyst sectors include (subject to change):

- Information Technology
- Telecommunication Services
- Utilities
- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Industrials
- Health Care
- Materials

## External Contacts and Reports

You will have a variety of opportunities throughout the year to represent the fund to outside constituents, either in person or in written communication. You will be required to present to the AIM Advisory Board twice each year, once at the end of each semester. In addition, you should produce a one-page performance report on a monthly basis. To have value, this should be done within a few days (not weeks) of the end of a month. You may also produce a quarterly report with written commentary on your views and explanation of performance. Focus on accuracy and timeliness, rather than big goals.

This year's Board meetings are planned for the following dates (subject to change):

December 6, 2023 at 4.30 p.m.

April 25, 2024 at 5:00 p.m.

## Feedback

Accountability in a group effort is crucial to any business undertaking, particularly in portfolio management. Portfolio responsibilities are well established and documented in the fund's Investment Policy Statement. You will be given a survey during the last class of each semester that will require your honest and confidential assessment of your peers' efforts. *Failure to provide candid and well-thought-out feedback will result in a peer evaluation score of zero.*

The instructors will always be available to discuss your performance in class on a one-on-one basis. However, we will make an additional effort to communicate with any student whose grade is in danger of falling below a "P" or "B".

## Honor Code

Integrity is one of UNC Kenan-Flagler Business School's core values. According to our statement of core values "we hold ourselves to the highest ethical standards." Violations of the honor code are totally inconsistent with this core value and are simply unacceptable in any form. Any violation of the honor code will result in an F in the course.

In this class, an honor code violation would occur if you gave or received help on individual assignments or misrepresented your work. An honor code violation would also occur if any assignment contained plagiarism. According to the university honor code, plagiarism is defined as "the intentional representation of another person's words, thoughts, or ideas as one's own." To avoid plagiarism, make sure you put in quotes and reference any direct copying of another individual's work. Also give credit and references for any "words, thoughts or ideas" that you paraphrase in your assignments. Each assignment should contain all relevant footnotes and a bibliography of all sources used in the assignment. Finally, for group projects, "unauthorized collaboration" is defined as getting help from someone outside your group (be sure to note any exceptions) or using prior work without acknowledgement. If in doubt, ask your instructors for clarifications. You may get more information at <https://studentconduct.unc.edu/>

Since this is an applied course with continuous work following real-time events and no exam, your ability to not follow the code will be limited and quickly evident.

## **Title IX Resources**

Any student who is impacted by discrimination, harassment, interpersonal (relationship) violence, sexual violence, sexual exploitation, or stalking is encouraged to seek resources on campus or in the community. Reports can be made online to the EOC at <https://eoc.unc.edu/report-an-incident/>. Please contact the University's Title IX Coordinator (Elizabeth Hall, interim – [titleixcoordinator@unc.edu](mailto:titleixcoordinator@unc.edu)), Report and Response Coordinators in the Equal Opportunity and Compliance Office ([reportandresponse@unc.edu](mailto:reportandresponse@unc.edu)), Counseling and Psychological Services (confidential), or the Gender Violence Services Coordinators ([gvsc@unc.edu](mailto:gvsc@unc.edu); confidential) to discuss your specific needs. Additional resources are available at [safe.unc.edu](http://safe.unc.edu).

## **Counseling and Psychological Services**

UNC-Chapel Hill is strongly committed to addressing the mental health needs of a diverse student body. The Heels Care Network website is a place to access the many mental health resources at Carolina. CAPS is the primary mental health provider for students, offering timely access to consultation and connection to clinically appropriate services. Go to their website <https://caps.unc.edu/> or visit their facilities on the third floor of the Campus Health building for an initial evaluation to learn more. Students can also call CAPS 24/7 at 919-966-3658 for immediate assistance.

## **Accessibility Resources and Services**

The University of North Carolina at Chapel Hill facilitates the implementation of reasonable accommodations, including resources and services, for students with disabilities, chronic medical conditions, a temporary disability or pregnancy complications resulting in barriers to fully accessing University courses, programs and activities.

Accommodations are determined through the Office of Accessibility Resources and Service (ARS) for individuals with documented qualifying disabilities in accordance with applicable state and federal laws. See the ARS Website for contact information: <https://ars.unc.edu> or email [ars@unc.edu](mailto:ars@unc.edu).

## **UBP Wellness Coaching Services**

In the UBP, Wellness Coaches work with students to co-create action-oriented goals based on the habits they'd like to change, and provide accountability and support as students work towards these goals. Wellness Coaching typically lasts for between 3 to 6 sessions and is a free service for all UBP students. Coaching may also be used as a bridge to additional services if it seems students could benefit from resources and support outside the scope of a brief, goal-oriented space. Sign-up for UBP Wellness



Coaching to learn more about your wellbeing or other mental health resources on campus! You can also email [wellness@kenan-flagler.unc.edu](mailto:wellness@kenan-flagler.unc.edu) to get started. To explore additional wellness resources or a calendar of wellness events, check out the UBP SharePoint:  
<https://kenanflaglerunc.sharepoint.com/sites/ubp/SitePages/Student-Wellness.aspx>