**Course Syllabus**

**Portfolio Theory**

**Sept. 29 – Oct. 28, 2023**

**New Orleans EMBA**

# **Professor** Bill Reese

Tulane Office Phone: 504-865-5465

E-mail: wreese@tulane.edu

Office Hours: by appointment

**Text** *Investments* 13th Edition by Bodie, Kane and Marcus

**Cases** Martingale Asset Management (Martingale)

Barclays Global Investors and Exchange Traded Funds (Barclays)

Maverick Capital (Maverick)

Behavioral Finance at J.P. Morgan (JPM)

Understanding Risk and Return, the CAPM, and the FF3 Model (CAPM – FF3)

Applying the CAPM (CAPM)

**Prerequisites** Financial Management I and Financial Management II

**Grading** Exam 80%

Assignments 15%

Attendance 5%

**Objectives**: This course is concerned with the choice of investment strategies with differing risk/return characteristics, in the presence of uncertainty. We begin with a rigorous development of the foundations of Modern Portfolio Theory while critically examining the assumptions that lead to its conclusions. We will learn how various market indexes are determined, explore the pros and cons of market efficiency, and learn some of the founding principles of behavioral finance. Students will have the opportunity to use several instructor-created spreadsheets that obtain historical data on stocks of the student’s choosing to create diversified portfolios, mean/variance efficient portfolios, and calculate expected returns for stocks using multiple asset-pricing models. We will learn how investment managers work with mutual funds, Exchange-Traded Funds and Hedge Funds to manage portfolios.

**Assignments** Prior to the second weekend, you will need to complete two individual assignments, and prior to the third weekend, you will need to complete one individual assignment. These assignments are not intended to challenge you, but are intended to allow you to apply some of the principals we are learning in class to real-life data.

**Website** In addition to Canvas, I have set up a website for this course at

<http://breesept.tulane.edu/>

Please check out the class website on a regular basis.

**Attendance** I think that it is important for you to attend class and participate in class discussions. You will be responsible for anything covered in class, even if you are not in attendance that day. In addition to the 5% of your grade that is based on attendance and participation, I reserve the right to reduce a student’s grade due to excessive absences from class, a lack of attentiveness in class, or the inappropriate use of a laptop or cellphone in class.

**Syllabus** Please note that this syllabus is not a contract. It is a statement of expectations and information. I reserve the right to change anything in it at any time.

**Laptops** Laptops may be used during class to take notes, work through Excel problems we are doing, etc. They are not to be used for web surfing, emailing, messaging or anything not directly related to what we are studying at that moment. Please wait for the class breaks to email and surf the web.

**Textbook** The textbook is written at a very high level. It is the premier textbook that is used for this course at all the leading MBA programs in the country. It is an excellent supplement to your class notes and I recommend that you read it, but I do not require it.There will not be any questions on assignments or the exam that come from your text but were not covered in class.

**Other Readings** The Harvard cases and the readings on the class website are required. You are expected to read them and be familiar with what is in them. These cases and readings are not designed to present you with a problem to solve, but to give you important information about a particular topic.

**Exam** For the exam, you will be allowed to refer to your class notes, your textbook, the cases and readings, and any material on Canvas or our class website. You may not refer to any other material and you may not discuss the exam with your classmates or anyone else.

* **Freeman Educational Norms and Expectations**

This class is in full accordance with [Freeman’s Educational Norms and Expectations](https://tulane.app.box.com/s/o9q75385zep0ad3izl91ke783wiosesb).

* **Goldman Center for Student Accessibility and ADA/Accessibility Statement**

Any students with disabilities or other needs, who need special accommodations in this course, are invited to share these concerns or requests with the instructor and should contact Goldman Center for Student Accessibility: [http://accessibility.tulane.edu](http://accessibility.tulane.edu/) or 504.862.8433.

* **Statement about Academic Integrity**

The Code of Academic Conduct applies to all undergraduate students, full-time and part-time, in Tulane University. Tulane University expects and requires behavior compatible with its high standards of scholarship. By accepting admission to the university, a student accepts its regulations (i.e., [Code of Academic Conduct](https://college.tulane.edu/code-of-academic-conduct) and [Code of Student Conduct](https://conduct.tulane.edu/resources/code-student-conduct)) and acknowledges the right of the university to take disciplinary action, including suspension or expulsion, for conduct judged unsatisfactory or disruptive.

**Tentative Course Schedule**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Material** | | **Chapters**  **in BKM** |
| First Friday | Risk and Risk Aversion Pt. 1  Risk and Risk Aversion Pt. 2 | | 6 |
| First Saturday | Optimal Risky Portflios | | 7 |
| Assignments Due Second Weekend:  Am I Diversified?  Finding the Efficient Frontier  Read: CAPM and CAPM-FF3 cases | | | |
| Second Friday | Go Over Assignments  The CAPM | 8 | |
| Second Saturday | Using the CAPM  Multifactor Models | 9, 10 | |
| Assignment Due Third Weekend:  Comparing CAPM and FF3  Read Martingale, Barclays, JPM, and Maverick Cases  Read DeBondt Paper | | | |
| Third Friday | Go Over Assignment  Market Indexes  Market Efficiency  Behavioral Finance | 2, 11, 12 | |
| Third Saturday | Professional Asset Mgmt.  Portfolio Eval. Measures | 14, 15, 24 | |