Fin 5894: Advanced Issues in Valuation and Portfolio Management

Spring 2011
Hartford MBA Program, GBLC
Thursday 6 – 9 pm
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This course applies the valuation theories developed in Fin 301, Fin 302, and Financial Valuation – Part 1. The course starts with performance measurement, and then discusses various trading and risk management strategies. The course will be delivered primarily through the discussion of cases.

Pre-req – FNCE 301, FNCE 302 strongly recommended

The main themes discussed in the course and the readings and cases to be discussed are listed below. This as an applied course where very little new theory is discussed. All the material is presented through cases and readings.

1. **Bond valuation and arbitrage** - Arbitrage strategies with bonds using Strips and coupon bonds.

2. **Equity Valuation** – Review of equity valuation models discussed in Fall. Use the valuation techniques to analyze cases.

3. **IPO Valuation:** Uses valuation techniques to price IPOs. Use of financial forecasting in DCF Valuation, and multiples using comparable firm approach.

4. **M&A Valuation and Arbitrage:** Applying valuation techniques to valuation of potential targets. Identifying arbitrage opportunities in M&A deals.

5. **Convertible arbitrage:** Arbitrage opportunities in the convertible bonds market.

6. **Other Investment Strategies:** Momentum strategy, and collapse of a Hedge Fund.

**Grading:** The class will be broken up in groups of not less than 3 or not more than 4 students. All grading is done through group assignments. A peer evaluation of the group members will be done at the end of the semester.
Grade Distribution:

Analysis of 3 class assignments – 10% each
Mid-term exam – 30%
Final Exam – 30%
Individual Participation in class – 10%

Late submission of assignments will call for appropriate penalty. The grade in the group assignments will reflect the peer evaluation.

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Class Schedule

Jan 20  
*Equity Portfolio Performance Evaluation*

Determinants of Portfolio Performance  
Determinants of Portfolio Performance – an Update  
Conducting Performance Attribution Analysis in the Classroom using Real Market Data

Jan 27  
a. Measuring Mutual Fund Performance - case  
b. Darden Capital Management – case assignment (due on Feb 10 – 10% weight)

Feb 3  
*Portfolio Performance (contd.)*

c. VA Investment Partners Asset Allocation – case assignment (due on Feb 17 – 10% weight)  
d. Morgan Asset Management - case  
e. UBS Global Asset Management – case

Feb 10  
*Equity Investment Policy*

Sector, Style, Region: Explaining Stock Allocation Performance  
a. The University of Notre Dame Endowment – case  
b. Martingale Asset Management - case

Feb 17  
*Portfolio Performance (contd.)*

Mar 3  
*Bond Portfolio Management*

a. Arbitrage in Government Bond Market? - case
b. Western Asset Arbitrage - case

First take-home assignment distributed in class. The assignment is due back on Monday, Mar 21. The assignment will involve questions on cases discussed in class (30% weight)

Mar 17  
**Bond Portfolios (contd.)**

c. Mogen Inc. – case

Mar 24  
**M&A Valuation:** Applying valuation techniques to valuation of potential targets. Identifying arbitrage opportunities in M&A deals.

a. A note on Mergers and Acquisitions and Valuation  

Mar 31  
**M&A Valuation (contd.)**

a. Fallon Capital Management  
b. Abbott Labs

Apr 7  
**IPO Valuation:** Uses valuation techniques to price IPOs. Use of financial forecasting in DCF Valuation, and multiples using comparable firm approach.

a. A note the IPO process  
b. Valuation of Netscape IPO - case assignment (due on Apr 7 – 10% weight)

Apr 14  
**IPO Valuation (contd.)**

a. Valuation of JetBlue IPO - case  
b. Baidu.Com Inc – Valuation at IPO - case

Apr 21  
**Convertible Arbitrage:** Arbitrage opportunities in the convertible bonds market.

a. Convertible arbitrage  
b. Convertible bonds of Countrywide Financial Corporation
Final take-home assignment distributed in class. The assignment is due back on Friday, May 6. The assignment will involve questions on cases discussed in class, including the material on Apr 28. (30% weight)

Apr 28  Other Investment Strategies

a. AQR Fund – momentum strategy
b. Amaranth Fund and its collapse