Course Description
With the globalization of business generally, we are also witnessing the globalization of the investment management process. The goal of this course is two-fold: to ground graduate students in the theory of international portfolio investing and also to immerse them in the application of international portfolio management in the real world, as practiced by sophisticated investment organizations. Thus this course is a blend of advanced theory and state-of-the-art practice.

In order to gain hands-on experience in international investing, students will construct and manage a fund in international equity markets using a simulation in real-time markets. Also, the coursework incorporates cases involving global investment firms to enhance the understanding of processes and tools actually used in the institutional investment arena. The objective is to prepare students to enter the investment management business and immediately add value to an international portfolio.

The course will start by reviewing basic investment practice, with a discussion about the differentiating institutional features of markets, instruments and benchmarks around the world. Next, we will discuss global asset allocation, by examining the benefits of adding international securities to a domestic portfolio.

The core of the course focuses on the key elements of an investment program, starting with the definition of a philosophy and continuing with the construction of a process for managing international equity portfolios. As part of the exploration of the process, we analyze qualitative and quantitative approaches for making decisions on the critical dimensions of an international equity investment process. These dimensions include equity analysis and selection, industry tilts and country allocation.

Then we review how performance is measured and attributed to the key dimensions of the investment process. The course concludes with a discussion of techniques for monitoring the risk of global portfolios.

Prerequisites: B01.2311 (Foundations of Finance) and B40.2302 (Corporate Finance)

Required Reading

Course Work
There will be a final examination.

There will be an applied portfolio management project, completed in a group setting, in which students will simulate managing an international equity portfolio using real-time prices. At the end of the course, students will make a group presentation to a panel of experienced international investors.

Each student will also write a short (2-3 page) paper that summarizes lessons learned from the group project about investing, markets and group decision-making.

Research Project
In order to gain experience in portfolio management, students will pool their expertise from various markets
to pick and manage a simulated portfolio of international equities using real-time prices. A group presentation at the end will consist of a mock presentation to a pension fund client invested in the portfolio, in which each group will summarize the investment philosophy and process, the security picks, the industry and country composition of the portfolio, the risk management oversight, and last but not least the performance and performance attribution of the portfolio. International investment professionals will be invited to serve as members of the mock pension fund board and will provide feedback on the presentation.

**Class Participation and Case Studies**
Participation in class discussion is required, particularly in the discussion involving cases. The case study method is built on the idea of vigorous student participation in class discussion.

Preparation ahead of case studies requires that students will come to class having read the case in detail at least once and having prepared oral answers to pre-assigned questions about the case.

Students are requested to bring name cards to class each week to receive credit for class participation.

**Grading**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>20%</td>
</tr>
<tr>
<td>Individual Portfolio Project Paper</td>
<td>20%</td>
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<tr>
<td>Group Portfolio Project Presentation</td>
<td>20%</td>
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<tr>
<td>Final Examination</td>
<td>40%</td>
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**Disabilities**
If you are a student with a documented disability on record at the University and wish to have a reasonable accommodation made for you in this class, please see me immediately.

**Academic Integrity**
You are expected to follow the University’s policies on academic honesty and integrity.

**Caution**
You are discouraged from actively investing using real funds while taking this course, as it can be both time-consuming and mentally distracting. In addition, you should keep in mind that neither the faculty nor the University is in any way responsible for any investment you undertake during or after this course.

**Course Outline**

**Class 1 Thursday, February 10**
Topic: International Equities – Markets, Instruments and Indexes
Textbook, Chapter 5, p. 157-177, 185-196; Chapter 8, p. 319-332; Chapter 13, p. 582-587

**Class 2 Thursday, February 17**
Topic: Benefits of International Investing
Textbook, Chapter 9, p. 386-425; Chapter 4, p. 118-120

Topic: International Investment Philosophy
Textbook, Chapter 13, p. 587-600; Chapter 4, page 148; Chapter 6, p.247

**Class 3 Thursday, February 24**

Topic: Country Allocation  
Textbook, Chapter 6, p. 217-222, 247-249; Chapter 9, p. 404-405; also Chapter 3, p. 115-116  

**Class 4 Thursday, March 3**

Topic: International Equity Analysis and Security Selection  
Textbook, Chapter 6, p. 204-207, 232-239, 242-245  

Topic: International Accounting Differences  
Textbook, Chapter 6, p. 207-217

Topic: International Sector and Industry Rotation  
Textbook, Chapter 6, p. 222-234, 245-249; Chapter 9, p. 418-420  

**Class 5 Thursday, March 10**

**Final Examination**

Topic: Performance Measurement and Attribution  
Textbook, Chapter 12, p. 524-557, 565-569

Topic: Risk Management  
Textbook, Chapter 12, p. 557-565  

**Class 6 Thursday, March 24**

**Group Project Presentations**

**Individual Paper Due on March 27**