E212 A AUT22
Equity Investment Management

Course Summary

Programme Overview

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful that is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy for some academic scribbler of a few years back. … But, soon or late it is ideas, not vested interests, which are dangerous for good or evil.

Programme Objectives

The objective of this Programme is to survey the most important theoretical concepts in the field of investment management, to examine whether these theories are supported by empirical evidence, and to identify the practical implications for investment professsionals. The field of investment has been characterized by a high rate of innovation, in both the academic and practitioner communities. Often, innovations have been built on investment theory that, once understood, also makes good sense. The Programme will emphasize topics where research provides an important message for professional management of the investment function, and how this can be applied.

Learning Outcomes

By the end of this course, you will have gained the knowledge of modern portfolio theory and its applications in the investment process. You will have covered topics such as asset allocation, portfolio optimization, and risk measurement, factor models of returns, active-passive management, long-short investing, performance measurement, and style analysis and so on.

You will know the most important empirical facts about asset markets, and you will be able to interpret them. Understanding the facts requires basic knowledge of risk-based asset pricing, portfolio analysis, present value relations, and behavioral finance. You will also know and learn about the evolution of investment management industry, trends, and the behavior of money managers.

You will have had the opportunity to hear the views of leading practitioners from the industry, ideas proposed in behavioral finance and learn about recent trends in alternative investments.

By the end of the term, you can expect to have a good understanding of the recent developments and how they are having an impact on all aspects of investment management.

Case Studies

There will be several cases to cement your understanding of the concepts and therefore you must make every effort to prepare all the cases. Each case illustrates a real-life problem faced by players in the fund management industry like the pension funds, endowments, investment advisors, fund managers, individual investors etc.

You will need about two hours to read each case and think about the questions relating to the case. This part of the class is going to be highly participative in nature where you will be called upon to step into the shoes of the person described in the case and put forward your recommendations. It is therefore extremely important that you have read the case and reflected on the issues raised in the case.

Practical Application

Participants will be given the opportunity to apply the theory and concepts learnt in class. In groups you are required to participate in an Equity Portfolio Simulation (EPS), a trading game involving construction and management of your portfolio. Participants will be studying and interpreting the performance of their portfolio throughout the term.

Course Structure

The elective course is taught in ten weekly sessions, each one building on topics covered earlier in the course. Because of the building-block structure of the material, it is important that you attend all the sessions.

Pre-work must be completed before you attend the session, and in some sessions, we may start with a graded quiz to assess your understanding of the reading material. There would not be an opportunity to retake the quiz if you miss the session.

Course Preparation

Before the course begins

Please read the case study - Harvard Management Company 2001 before the first session. Be prepared to be cold called on the case study in the session.

Reading List

The recommended textbook for this Programme is **_Investments_** _Links to an external site._ by Bodie, Kane and Marcus. Some supplementary readings will be distributed during the Programme. I would strongly urge you to go through the chapters and readings before the class and in any case immediately after the class.

Cases

There will be a number of cases to cement your understanding of the concepts and therefore you must make every effort to prepare all the cases. Each case illustrates a real-life problem faced by players in the fund management industry like the pension funds, endowments, investment advisors, fund managers, individual investors etc. You will need about two hours to read each case and think about the questions relating to the case. This part of the class is going to be highly participative in nature where you will be called upon to step into the shoes of the person described in the case and put forward your recommendations. It is therefore extremely important that you have read the case and thought about the issues raised in the questions.

Assessment Information and Policies

Assessment Table

Assessment type	Weightings	Group/ Individual	Release date of assessment component	Deadline/ Time & Date of exam
Group case Assignment 1: **Numeric Investors**	10 %	Group (4 students)	07 October 2022 at 5pm	20 October 2022 at 5pm
Group case Assignment 2: **Unilever Superannuation vs Merrill Lynch**	10 %	Group (4 students)	04 November 2022 at 5pm	17 November 2022 at 5pm
Stock Trak Simulation	20 %	Group (4 students)	During the course	01 December 2022 at 5 pm
Discussions on Canvas	10 %	Individual	During the course	During the course
Final Exam	50 %	Individual	Sun,11 December 2022 at 12 noon	Sun, 11 December 2022 at 6 pm

Requirements to Pass

In order to successfully complete a Core or Elective Course, students will be required to achieve the following minimum requirements:

i. A minimum of 50% overall; **and**
ii. A minimum of 50% across the weighted average of individual assessment component/s excluding class participation; **and**
iii. Satisfy any attendance requirements where applicable

Academic Integrity Expectations

All students completing this course should be aware that in submitting any assignment for this course, you agree to the following declaration:

"I certify that the coursework that I have submitted is entirely my own unaided work, and that I have read and complied with the School's guidelines on plagiarism and referencing as set out in the School handbook.

I understand that the School may make use of plagiarism detection software and that my work may therefore be stored on a database which is accessible to other users of the same software."

Students should be aware that, where plagiarism is suspected, a formal investigation may be carried out under the School's Student Disciplinary Procedure. This may result in penalties ranging from mark deduction to expulsion from the School.

Attendance Policy

Students must attend a live teaching session, either in-person at campus or via Zoom if an exemption has been approved by the School. Students are expected to attend 80% of teaching sessions. Attendance will be monitored by:

- Students attending in-person must register their attendance using the SEAtS card readers upon entry to the lecture theatre. Any misuse of the School's attendance monitoring systems will be treated extremely seriously.
- Students who have an exemption to attend live sessions virtually will have their attendance monitored via Zoom.

Students who are persistently absent or late will be contacted by the School, may be required to meet with their Programme Office, and may be subject to disciplinary action. This response will normally be triggered if a student's attendance is 80% or less but may occur sooner if deemed appropriate. For students on Tier 4 visas poor attendance may lead to the student being withdrawn and their visa cancelled.

Class Participation

A core component of all London Business School programmes is the interaction and activity that takes place in the classroom. Through case discussions and collaborative learning, students are encouraged to share their expertise and learning, and challenge each other's perspectives.

Participants will be given the opportunity to apply the theory and concepts learnt in class. Everyone is required to participate in a trading game involving construction and management of their own portfolio. Participants will be studying and interpreting the performance of their portfolio throughout the term.

There will be a number of cases to cement your understanding of the concepts and therefore you must make every effort to prepare all the cases. Each case illustrates a real-life problem faced by players in the fund management industry like the pension funds, endowments, investment advisors, fund managers, individual investors etc. You will need about two hours to read each case and think about the questions relating to the case. This part of the class is going to be highly participative in nature where you will be called upon to step into the shoes of the person described in the case and put forward your recommendations. It is therefore extremely important that you have read the case and thought about the issues raised in the questions.

Class participation will not be graded.

Other Assessments

Group Work: 40% of the course assessment would be based on group work and determined as follows:

- 20% of the grade will be based on two case studies (Numeric Investors LP and The Unilever Superannuation Fund vs Merrill Lynch) each carrying a weight of 10%.
- 20% of the grade will be based on Stock-Trak trading simulation game.

Towards this end, would like you to form groups of **five** participants. You will need to use the Canvas to form the groups (same group for all assignments) and also please send this information by e-mail to X latest by Friday 30th September 2022 (the sooner the better).

The case study write-ups are to be uploaded on the Canvas latest by 17:00 hours on the day before the cases are being discussed in the session (please refer to the course outline). Late submission is allowed, but there will be a penalty for late submission. Each case study write-up should be no more than 1500 words and up to three pages of exhibits. It is important to stick to the word limit. Excessively lengthy and verbose write-ups will receive a poor grade. You must be ready to contribute to the group discussion in class for the other case studies (Harvard Management Company 2001, 2010 and Dimensional Fund Advisors) as well. This is an integral part of the participative form of learning.

Stock Trak Simulation will be run by X. She would provide you with the outline and the submission schedule. You many reach out to her with your queries.

Discussions: 10% of the course assessment would be your individual participation in Discussions on Canvas.

Purpose/ Relevance
Learning happens when we share our knowledge, experience, and perspective.... and be open to hearing different views, often adverse. Equally important is to have an opinion and voice it effectively. The ones who challenge status quo and go against the grain, get deeper insights. In your professional career, you would see that our learning happens most from clients and peer group. So, here is an opportunity to reflect and engage with your classmates!

What is expected of you
We would post a question on Canvas> Discussions and give you content (relevant to our course) to reflect on. We would ask you to reply to the question and you could attach reports, videos, current new items etc. to substantiate your point of view.

Please read through the responses of your peers before you reply. If your perspective, opinion, answer, or reply is likely to be the same as someone who has already responded, try thinking from a different point of view. Intent is for you to share and learn. You may also share your opinion on your peers' response. All the discussion threads would be open for viewing.

In evaluating the class participation, we will consider how you have answered the question, resources you have used to substantiate your perspective, your responses to your peer's perspective and the quality of your response

The discussions would be open giving you ample time to review and participate.

The final examination accounts for 50% of the course grade.

Late Submissions Penalty

Students are expected to submit all assessments for marking by the deadline stated in this course syllabus. However late submissions are accepted for the following assessment(s) of this course:

· **Case study 1: Numeric Investors**
· **Case study 2: Unilever Superannuation vs. Merrill Lynch**
· **Stock Trak Simulation**

When late submissions are received for the above, the following penalties will be applied:

Type	Time period	Reduction (for the assessment)
Penalty 1	Up to 48 hours late	20% of total marks available
Penalty 2	Up to 96 hours late	40% of total marks available
Penalty 3	Over 96 hours late	Fail

The applied penalty will be calculated based on the total marks available for the assessment and not based on the score achieved by the student. Assessments that are submitted more than 96 hours after the stated deadline will not be marked and students are not entitled to individual feedback.

Exam Information

Restricted Time Exam

Date of Exam	Sun, 11 Dec 2022
Exam open from	12:00 GMT / BST
Exam closes at	18:00 GMT / BST
Restricted time period	3 hours
Further details	The above details are indicative arrangements, and may be subject to change. Further details will be shared via an Announcement approximately 7 calendar days before the exam. Please ensure your Canvas Announcements are enabled in your Canvas notification settings to receive this information.
Additional information	Please read the Online Exams Student Guidance for information about online exams.

Exam Late Submission Penalties

When late submissions are received for the above, the following penalties will be applied:

Time period	Penalty
Submissions received up to 60.00 minutes after deadline	Mark capped at maximum of 50% for exam
Submissions received over 60.00 minutes after deadline	Mark of zero applied for exam

Faculty

Narayan Naik

Professor of Finance

Professor Narayan Naik is recognized as one of the leading experts on hedge fund investing. Over the last decade he has authored a significant body of work in hedge funds benchmarking, performance evaluation of long-only managers, tail-risk hedging, life settlements-longevity risk and market microstructure. His work has appeared in the top finance journals, leading practitioner journals and financial press. Professor Naik's teaching includes the following subjects: Strategic Investment Management, Equity Investment Management and Hedge Funds.

Since joining London Business School (LBS) in 1991, Professor Naik has played a key role in the development of the finance group at LBS, most notably in the role of Director of the PhD Programme in Finance, Director of the School's Investment Management Programme, Director of the Hedge Fund Research Centre and more recently, one of the Academic Directors of the AQR Asset Management Institute at LBS.

Professor Naik has designed, and taught tailor-made courses in corporate finance, investment management, Islamic Finance and hedge funds for investment banks and financial institutions. His most recent innovation has been the creation of FinTech and the Financial Services Industry Transformation elective. This course examines innovative technology-driven transformation of old business models in the financial services sector. Professor Naik's research interests also lie within this field, exploring how Financial Technology is breaking the financial services value chain through more efficient provisioning of Payments, Deposits and Lending, Capital Raising, Wealth Management, Insurance, Market Data Analytics, as well as the impact on businesses on by the BlockChain and Cryptocurrency technology.

Professor Naik has appeared many times on CNN, CNBC, Bloomberg, the BBC, ITV and other news channels as an expert finance academic. He has consulted widely during his career for the World Bank, sovereign wealth funds in the Middle East, and private corporations in the UK, USA, Middle East and Far East.