International Investments
B40.3103
Spring 2009
Wednesdays, 6:00 pm– 9:00 pm

Adjunct Professor Michael Perelstein
Office Hours: By appointment on Wednesdays

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 investing and also to immerse them in the application of international equity 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. An important part of the coursework will focus on business cases that illuminate the process and tools used by institutional investment firms to manage international portfolios. 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 focus on investment theory, by reviewing 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 and factor 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
Additional readings in the form of academic articles and business cases as indicated in the Course Outline.

Course Work
There will be a final examination.

There will be an applied international portfolio management project in a group setting. This project will provide students with experience in research and decision-making in international equity markets.

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 Projects
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.

**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**

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<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>20%</td>
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<tr>
<td>Individual Portfolio Project Paper</td>
<td>15%</td>
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<tr>
<td>Group Portfolio Project Presentation</td>
<td>15%</td>
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<td>Final Examination</td>
<td>50%</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 Wednesday, February 11**
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

Topic: Benefits of International Investing
Textbook, Chapter 9, p. 386-420; Chapter 4, p. 118-120, page 146

**Class 2 Wednesday, February 18**
Topic: International Equity Investment Philosophy, Style and Process
Textbook, Chapter 13, p. 587-600; also Chapter 4, page 148
Class 3 Wednesday, February 25
Topic: International Equity Analysis and Security Selection
Textbook, Chapter 6, p. 204-207, 232-239, 242-245


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

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

Class 4 Wednesday, March 4
Topic: Country Allocation of International Equity Portfolios Continued

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

Class 5 Wednesday, March 11
Topic: International Equity Sector and Industry Continued

Topic: International Factor and Style Tilts
Textbook, Chapter 6, p. 245-249

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

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

Class 6 Wednesday, March 25
Final Examination
Group Project Presentations
Individual Paper Due on March 27