

# **Marquette University's Applied Investment Management Program**

**September 2005**

**Newsletter**

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## **AIM Fund Set to Begin**

*Student-Managed Portfolio to Focus on Small Capitalization Equity Investments*

The goal of the AIM program is to combine traditional academic objectives with the practical demands of hands-on investment management. Beginning in the fall semester, Marquette students enrolled in the AIM program will gain valuable experience by managing a portion of the University's endowment fund. The student-managed portfolio (called the "AIM Fund") will include the stocks of publicly-traded U.S. companies with a market capitalization between \$250 million and \$1 billion.

The diversified portfolio of approximately 35 common stocks will be created following an in-depth fundamental analysis of the economy, industry, and individual firms by the AIM students. The AIM Fund, which is managed by the student members, will be advised by the AIM Program Director and the AIM Investment Advisory Board.

The Advisory Board will be comprised of Finance faculty, a representative from the University's Office of Treasury Services, investment professionals, and knowledgeable alumni. Advisory Board members will serve as mentors – guiding the AIM students through the investment process and introducing them to real-world investment management issues. The Board's goal is to enhance the educational benefits of the student-managed portfolio experience. Members will be asked to serve at the beginning of each school year and will be selected based on their experience and ability to attend one or more 90 minute meetings.

## **AIM Investment Advisory Board Meeting Dates Set**

"The AIM Investment Advisory Board is an integral part of the student-managed fund," according to Dr. David Krause, AIM Program Director. "The Advisory Board will provide expertise and act as a 'sounding board,' offering knowledgeable and frank advice to the AIM students on their equity investment analyses and recommendations."

The Finance Department Chair, Dr. Sarah Peck, elaborated, "We want board members who are dedicated and enthusiastic. They should provide feedback, suggestions, and overall direction to the AIM students. We will follow an advisory board model in which the AIM students will present written and oral reports and field challenging questions from board members. This will be a valuable learning experience."

Besides critiquing student investment presentations, the AIM Investment Advisory Board will also review quarterly investment performance and provide input regarding portfolio management issues. Meetings of the AIM Investment Advisory Board, which will not exceed 90 minutes, are scheduled on the following dates and times:

<u>Date</u>	<u>Time</u>	<u>Location</u>
Tuesday 9/27	5:00 – 6:30 PM	265 Straz
Tuesday 10/4	5:00 – 6:30 PM	265 Straz
Tuesday 10/11	5:00 – 6:30 PM	265 Straz
Tuesday 11/1	5:00 – 6:30 PM	265 Straz
Tuesday 12/6	5:00 – 6:30 PM	265 Straz

## AIM Fund to be Benchmarked to the Russell 2000

*Sector Allocations will be Similar to the Index Mix*

Each AIM student has been assigned to closely follow three industry sectors – serving as the primary analyst for one sector and a secondary analyst for the other two. Within the first few weeks of the fall semester a detailed sector report will be due, which will be shared with the AIM Investment Advisory Board. This report, which will be periodically updated throughout the semester, will include a review of important events in the sector, the outlook for the sub-industry segments, and a listing of the firms in the sector that are eligible for inclusion in the portfolio.

Because each sector's economic and financial characteristics can vary significantly, AIM students will focus their investment analyses on stocks within their particular sectors. Each group will recommend stocks from their sector for inclusion in the AIM Fund with the amount and portfolio allocations similar to each sector's market capitalization weighting of the Russell 2000 Index.

The following table shows the market capitalization mix of the S&P 500 and the Russell 2000 by sector as of June 30, 2005. The Russell 2000 is comprised of the smallest 2000 companies in the Russell 3000 index and makes up only about 10% of total market capitalization of the S&P 500. Despite the size difference, the sector mixes are fairly similar.

### Market Capitalization Sector Mix (6/30/2005)

<u>Sector</u>	<u>Standard &amp; Poor's 500</u>	<u>Russell 2000</u>
Hardware	10.1%	9.3%
Software	4.0%	4.3%
Media	3.4%	2.0%
Telecommunications	3.0%	2.0%
Healthcare	13.0%	11.9%
Consumer Services	9.5%	10.4%
Business Services	3.7%	10.2%
Financial Services	19.7%	22.6%
Consumer Goods	9.2%	5.1%
Industrial Materials	12.1%	14.8%
Energy	9.0%	4.9%
Utilities	3.4%	2.6%

## Fixed Income Securities Course to be Offered in the Fall

Beginning this fall, Dr. David Krause will be teaching FINA 189, *Fixed Income Securities*, a new course offered to AIM students and others majoring in finance. The course is focused on the concepts and tools utilized by portfolio managers and investors who use fixed income instruments for investing and hedging purposes. The text employed by Krause is Fabozzi's *Fixed Income Analysis for the Chartered Financial Analyst® Program*. The learner outcomes for the course have been designed to match those of the CFA® Level I exam, as it pertains to fixed income investments.

Upon completion of the course, students should possess the ability to demonstrate a thorough working knowledge of the analysis of fixed income securities, including basic characteristics of bonds in alternative sectors, valuation tools, and the factors that influence bond yields. Students should also be able to estimate risk and returns for fixed income investments, analyze fixed income securities with unique features, value fixed income investments with embedded options, and conduct a detailed credit analysis. Outside speakers from the investment community will be utilized in the classroom to provide practical experience. There are over 40 students currently enrolled in the new course.

The Applied Investment Management web site is located at: [www.busadm.mu.edu/aim](http://www.busadm.mu.edu/aim). An online brochure, the AIM curriculum, and more information about the program are available there.

### Program Contact

**Dr. David S. Krause**

**Director, Applied Investment Management Program**

**Marquette University**

**336 Straz Hall, P.O. Box 1881**

**Milwaukee, WI 53201-1881**

**Telephone: (414) 288-1457**

**E-mail: [david.krause@marquette.edu](mailto:david.krause@marquette.edu)**