

WINNING INVESTMENT STRATEGIES

Introduction

The ultimate goal of this course is to provide you with a general, integral, simple, practical, and effective framework to successfully manage your own savings.

Objectives

The ultimate goal of this course is to provide you with a general, integral, simple, practical and effective framework to successfully manage your own savings. Contrary to what some people would have you believe, it does not take a PhD in Quantum Physics to sensibly manage your money. The approach suggested in this course follows from the strategies endorsed by legends such as Warren Buffett, John Bogle (founder of Vanguard), and David Swensen (CIO of the Yale University endowment).

Learning Outcomes

This course will provide you with the necessary and essential tools to build and maintain your portfolio. You will learn about asset classes, financial products, essential but underrated variables, complementary and important variables, portfolio choice and rebalancing, reference portfolios, behavioral insights, and useful online resources.

Competences

This course will provide you with the skills and tools to understand the process of building and maintain and maintaining your portfolio and successfully manage your savings.

Content

The course consists of the ten sessions outlined in the 'Course Outline & Biography' section below.

Methodology

The course is based on interactive lectures, not on cases. The material you are expected to read before each session is in the course package and detailed in the next page; additional material will be posted on the Blackboard after each session.

Evaluation

The course will be evaluated on the basis of a group project (80% of the credit) and individual class participation (20% of the credit). The group project consists of helping a client to build and understand a portfolio that fits his/her financial goals. The tangible output of the project is a brief report you have to write and turn in.

Course Outline

1. The Basics. Individual and institutional investors. What we will not discuss and why. What investors do and do not control. Forecasting.

- Handout: “Mean Return – Three Definitions.”
- Vanguard (2006). “We Believe #1.”
- Vanguard (2006). “We Believe #8.”

2. Asset Classes. Core and non-core asset classes. Stocks, bonds, and alternatives. Role in the portfolio and distinctive characteristics.

- Swensen, David (2005). *Unconventional Success*. Chapter 1: Sources of Return.

3. Financial Products. Absolute and relative performance. Active and passive management. Hedge funds, absolute return funds, mutual funds, index funds, and exchange-traded funds (ETFs). Structured products.

- Rosenberg, Laurence, Neal Weintraub, and Andrew Hyman (2008). *ETF Strategies and Tactics*. Chapter 1: What Are ETFs, and What Makes Them Good Investments?

4. Essential (But Underrated) Issues. The visible and hidden costs of investing. The holding period and its impact on risk assessment.

- Ellis, Charles (2002). *Winning the Loser’s Game*. Chapter 8: Time.
- Vanguard (2006). “We Believe #5.”

5. Complementary (And Important) Issues. Risk-adjusted returns. Growth and returns. Three consistent patterns.

- Morningstar (2010). “The Morningstar Rating for Funds.”
- Morningstar (2004). “The Morningstar Style Box.”

6. Portfolio Choice & Rebalancing. The strategic decision. Relevant variables. Informal rules. The asset allocation table. Rebalancing: Why, when, and how.

- Ferri, Richard (2006). *All About Asset Allocation*. Chapter 12: Building Your Portfolio.

7. Reference Portfolios. The value of simplicity. Conservative and aggressive portfolios. The industry standard. The permanent portfolio. The Gone Fishin’ portfolio. Other portfolios.

- Bernstein, William (2010). “Wild About Harry.”

8. Behavioral Insights. Cognitive imperfections and impact on investment decisions. Experiments. Lessons for investors.

- Morningstar (2013). “10 Behavioral Pitfalls – A Primer.”

9. Online Resources. The good, the bad, and the ugly. Fund and ETF screeners. Asset allocators. Portfolio X-Rays. Robo advice.

- No readings.

10. A Global Vision. Looking back: Key messages and learning points. Looking ahead: Final thoughts and the road ahead.

- Kritzman, Mark (2009). "Rules of Prudence for Individual Investors."

Professor's Biography

Javier Estrada is a Professor at the Finance Department of IESE Business School, in Barcelona, Spain. He holds a B.A. in Economics from the National University of La Plata (Argentina), and both an M.S. in Finance and a Ph.D. in Economics from the University of Illinois at Urbana-Champaign (USA). His areas of specialization are wealth management, portfolio management, investments, equity markets, emerging markets, and law & economics.

Javier held positions at both the Economics Department and the Business Department of the Carlos III University (Madrid, Spain). He is also a regular visiting professor at HANKEN (Helsinki, Finland), IPADE (Mexico City, Mexico), Torcuato Di Tella University (Buenos Aires, Argentina), and the University of Montevideo (Montevideo, Uruguay), and has lectured to executives, graduates, and undergraduates around the world. Javier is the author of *Finance in a Nutshell* (2005), originally written in English and later translated into Spanish, Italian, and Chinese; a second edition of this book was published in 2011, is entitled *The FT Guide to Understanding Finance*, and was translated into Korean. He is also the author of *The Essential Financial Toolkit – Everything You Always Wanted To Know About Finance But Were Afraid To Ask* (2011).

Javier has done extensive research in the areas of portfolio management, investment strategies, and risk with a special focus on downside risk. He has also done research on emerging markets and insider trading. His articles have appeared in the *Journal of Portfolio Management*, the *Journal of Wealth Management*, the *Journal of Asset Management*, the *Journal of Investing*, and the *Journal of Applied Corporate Finance*, among other journals.

Javier is the founding editor of the *Emerging Markets Review*, the leading journal on emerging markets; was editor of the journal between inception in 2000 and the end of 2006; and currently remains an associate editor. He is also in the advisory board of several other academic journals.

Javier is Director of the SEP (Senior Executive Program) that takes place between New York and Miami, and the open-enrollment programs 'Managing Your Own Portfolio' and 'Corporate Finance.'

Javier is a partner and financial advisor at Sports Global Consulting Investments, a company that specializes in providing wealth-management advice to professional athletes; manages a publicly-traded fund; is a member of the CFA Institute's Speaker Retainer Program; and was a tennis instructor.