



## Fund Selection and Analysis for Professionals

This course explores various challenges in determining fund value-added performance for client investment objectives. "Is my manager giving me my money's worth?" is the basic question. Different fund structures, such as mutual funds and hedge funds, are covered. Cases are used on actual funds, along with in-class exercises. Participants learn to identify subtle tricks that funds use to "dress up" performance records and charge unwarranted fees.

### Targeted Audience

Investors interested in selecting and evaluating funds, including specialists in portfolio management, marketing, regulatory, auditing, plan sponsor, and fund of funds.

### Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. The move to the electronic version follows an ongoing review of our environmental responsibilities as a global business and as part of the Pearson group. FT.com also has features that are not available in hard copy, such as: Special Reports, Alphaville, editor blogs, education sections and much more! Subscriptions will start within 6-8 weeks of the start of class and are limited to one subscription per client. (Please note: as of May 1, 2011, the electronic subscription replaces the hard-copy 3-month Financial Times subscription.)

### Advance Preparation

No advance preparation required.

### Prerequisites

Financial calculator required. Texas Instruments BA II Plus recommended. Excel calculations will be demonstrated in class, but not taught.

### Learning Objectives

Students will be able to:

- . Understand the history, market and players in the mutual fund industry and other asset management structures
- . Be familiar with some key regulations and governance of mutual funds
- . Employ key concepts and analytical elements to risk/return requirements
- . Apply standard risk measurement tools to portfolio performance
- . Differentiate between various investment styles, risk thresholds and objectives
- . Identify and define various expenses, pricing levels and fees
- . Define areas of controversy which are on the radar for mutual funds
- . Use actual cases to evaluate performance and catch some misleading marketing and performance tricks
- . Provide better information for the audit process
- . Be better prepared and able to select appropriate funds for client needs

## **Follow-Up Courses**

Portfolio Management Program

Wealth Management Program

**Level: Intermediate**

**CPE Credits: 14.0**

**Instructional Method: Group-Live**

## **Detailed Outline**

### **DAY ONE**

**History, Objectives and Key Concepts of Mutual Funds**

### **DAY TWO**

**Review of Overnight Case Study**

- . An Overview of the Capital Markets
- . Developing an Investment Strategy
- . Importance of Equities and Bonds
- . Significance of Asset Allocation
- . Investment Style Challenges
- . Some Ethical and Legal Considerations: Sarbanes Oxley Act, SEC Considerations, CFA Institute Guidelines
- . Auditing and Accounting Issues

### **Key Concepts**

- . Risk and Return
- . Geometric versus SI-IRR Returns
- . Diversification
- . Modern Portfolio Theory and Limitations
- . Capital Asset Pricing Model (CAPM)
- . Investor Utility Curves
- . Customer Suitability Topics
- . Calculating Risky Asset Allocations
- . Luck and Statistical Issues
- . Case Simulation

### **Why Mutual Funds and Alternative Assets**

- . History and Diversity
- . Size and Development of the Market
- . Fund Families
- . Other Major Fund Structures: Hedge Funds, Private Equity, SMAs
- . Benefits and Pitfalls
- . Synthetic, Quant, Index Strategies in Funds
- . Fund Profiles as Reverse Engineering Checks
- . Structure and Regulation: Governance
- . Fund Scandals

### **Assembling a Mutual Fund Portfolio**

- . Stocks and Bonds Together
- . Performance Measurement
- . Selecting the Appropriate Benchmarks
- . Risk Adjusted Performance
- . Risk Measurement (most commonly used)

### **A Closer Look at Indexing**

- . Reversion to the Mean
- . Beating the Street
- . Tilting
- . Nominal and Real Diversification
- . Exchange Traded Funds
- . WEBS

### **Statistical Concepts**

- . Probability Distribution: Mean, Variance, Standard Deviation; Skewness, Kurtosis
- . Correlation Structure of Security Returns
- . Correlation Coefficient
- . R-Squared, VARS, ANOVA Analysis
- . Brief look at more current state-of-the-art tools
- . Which ones should be used?
- . Case

### **Performance Measurement**

- . Benchmarks
- . Risk-adjusted Returns
- . Sharpe Ratio, Jensen, Treynor, M<sup>2</sup>
- . Sharpe Selection (Information Ratio)
- . Sharpe versus other measures such as Omega
- . Sortino, Calmar
- . Attribution Analysis
- . Tricks To Dress Up Performance
- . Checklist of Red Flags in Manager Searches

### **Asset Allocation**

- . Mean Variance Optimization
- . Inputs to the M-V Optimization model
- . From Diversification to Feasible and Efficient Frontiers
- . Rebalancing Efficient Portfolios

definitions): Standard Deviation; Beta; Duration  
. VARS, Event, and other "newer" risk  
measurement tools currently being used in the  
mutual fund industry

## **Concluding Remarks**

## **Helpful Calculations Appendix**

### **Investment Choices**

- . Setting Objectives
- . Defining Time Horizons
- . Establishing Risk Tolerances
- . Style Survey: Growth; Value; Balanced; Indexed

### **The Funds Themselves**

- . Fund Composition & Organization
- . Management & Board Reporting
- . Expense Ratios & Pricing
- . Size
- . Tax Considerations
- . A/B/C shares
- . Transactions
- . NAV and Fair Value Pricing
- . Special Structures: Hedge Funds; Private  
Equity; Annuities
- . Controversial areas: Proxy Voting; Mutual Fund;  
Consultant

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