

## The Educated Investor

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### Learning by Doing at MPSIF

by Professor Richard M. Levich

MPSIF is not a typical Stern MBA course. In the vernacular of higher education, the course makes use of “experiential learning.” By giving students the responsibility for all the tasks associated with managing \$2 million of endowment funds, students are “learning by doing.”

Why was such an unusual structure proposed and how does it facilitate learning? The Stern finance curriculum offers MBA candidates ample opportunity to learn about the theoretical principles underlying security price determination, and empirical performance of alternative valuation techniques and trading strategies. Students can gain considerable knowledge by reading theoretical and empirical studies, and by hearing lectures from accomplished academicians and market professionals. But for students who want to become asset management professionals, at some point they actually have to put their knowledge into practice. Just as an aspiring golfer can read textbooks and watch videos to learn about the perfect golf swing, at some point she must put theory into practice, pick up a club, and hit the ball toward the hole.

MPSIF requires students to spend two semesters, roughly 9-11 months, immersed in the management of our funds. In their first few weeks, entering students learn about their responsibilities in the funds, and become acquainted with the available financial tools and resources.

These entering students also learn by observing second semester students present the initial round of stock updates and pitches. Over time, the entering students take on more responsibilities, delivering their updates and pitches to be judged by the most critical audience imaginable – their Stern classmates and the market.

While students work hard to prepare rigorous, thorough company analyses, few companies and market conditions conform to a textbook setting. As theory claims, unexpected events move stock prices. MPSIF students learn this first hand, and sometimes with an extra kick, as their stocks respond to a panoply of events from the mundane, like earnings announcements and pending litigation, to the more exotic, like missed filing deadlines and property rights disputes from patent trolls and sovereigns.

Over the course of their tenure in MPSIF, students learn by doing – by applying what they know, and putting it into practice for different firms and under different market conditions. Students gain confidence as they assemble the pieces of an unstructured puzzle that leads to a successful fund decision. But students also learn by making mistakes that shine a light on the limitations of their analysis or a failure to capture unforeseen risks. MPSIF offers students a classroom laboratory for learning, but a lab that embodies much of the realism Stern graduates will find in the real world of asset management.

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### PM Spotlight – Value Fund

by Stephen Poleskey

*We sat down with the newly appointed Value Fund Portfolio Managers Andrew MacNamara and Michael Walter to get their perspective as MPSIF begins a new semester.*

**EI:** *How do you feel about the Value Fund's positioning heading into the new calendar year?*

**MW:** I feel very good about the Value Fund heading into spring 2007. In the fall semester of 2006, we were really able to overhaul the portfolio and add some great holdings. All of our positions now have great growth prospects. Though we still have a relatively high cash balance, we do not feel the sense of pressure that we did last semester in which we had to add several new positions immediately. Now, we can truly focus on finding key value positions out there, and add them whenever we see fit.

**AM:** We've started out with a strong portfolio and a great group of analysts. I think the Value Fund will do well this year.

**EI: Why did you decide to step up to the portfolio manager role this semester?**

AM: Last semester we made a lot of improvements to the MPSIF process - from investigating GIPS performance reporting to portfolio analytics to stock screening. I would like to push these even further and to introduce some new analytical tools that will help analysts with pitching.

MW: I was surprised how engaged I found myself in MPSIF last semester. Almost from the beginning I felt very involved and part of the fund, and I really wanted it to succeed. Thus, when the opportunity came up to be a portfolio manager in the spring semester, it just was a natural fit to go for it. In addition, I thought it would be a great chance to act in a leadership role and use some of the management skills that I have learned so far at Stern.

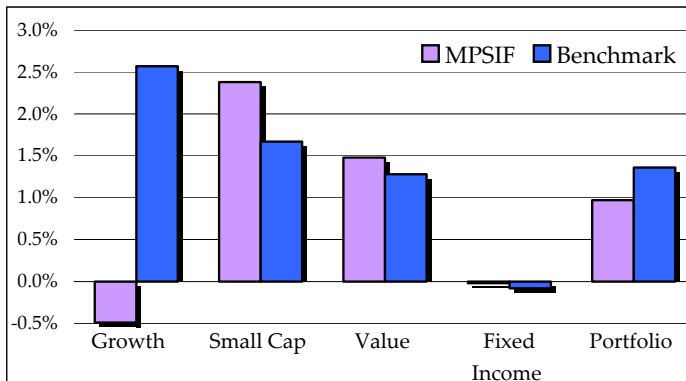
**EI: What advice do you have for the new MBA1 members as they begin their MPSIF careers?**

MW: Get involved. MPSIF is a student-run organization. It will only be as good as the group of students that take part in it; the more people get involved and ask questions, schedule speakers, add best practices, etc, the better the class will be and the better the funds will perform. We have a lot of responsibility here. If we make the most of it and keep improving the Fund, we will not only learn a lot while we are here, but we will also make MPSIF a better organization for each and every future class.

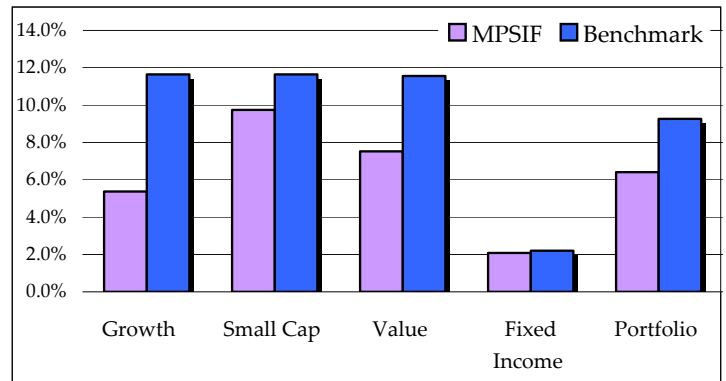
AM: Get involved! The required stock pitches and extra roles are important, but MPSIF thrives on new ideas. If you think something could be done better or have other ideas, let someone know, or start implementing it yourself.

### Fund Performance vs. Benchmark

#### ...in January



#### ...Year to Date



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