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FIN 410.01: The D.A. Davidson Student Investment Fund - \$50,000 Portfolio

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University of Montana - Missoula

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GUIDELINES

FIN 410

The D.A. Davidson Student Investment Fund

PROGRAM OBJECTIVE

The purpose of the D.A. Davidson Student Investment Fund is to provide business students at the university/college with an opportunity to apply modern finance theory to investment decisions involving actual market transactions.

ACCOMPLISHING THE OBJECTIVE

The Investment Fund will be used by appropriate finance and business classes and/or investment clubs. The management of the D.A. Davidson Investment Fund will be an integral part of the courses and clubs. By integrating the Davidson Funds into security analysis and portfolio management, students will be able to evaluate the usefulness of the investment concepts they study. In addition, students will have a greater incentive for their studies, knowing that they will soon apply the theories to practical fund management in the advanced courses. It is very likely that more students will be attracted to take finance courses in which they can manage actual investment funds. The coordinating Financial Consultant from D.A. Davidson should be viewed as a resource for the class/club.

STRUCTURE OF THE PROPOSED D.A. DAVIDSON PROGRAM

1. The focus of their study will be on investments, and real world application of security valuation and selection models will be made through the Davidson Fund.
 - 1.1 Eligible assets will be restricted to: (a) common stocks, (b) corporate and government bonds, and (c) preferred stocks. Securities other than common and preferred stocks (such as limited partnership units and closed-end funds) listed on the New York, American, and Pacific Stock Exchanges will also be eligible. Option contracts and futures will not be allowed.
 - 1.2 Students will select securities by applying the theoretical frameworks given in the course. Their successes and failures will show the value of the theories, and (perhaps even more important) will give greater meaning to the concept of risk. These will be lasting lessons, giving solidity to the lectures and readings.
 - 1.3 Students in classes will form a fund management group, with managerial assignments to specific industry sectors. They should prepare individual or group reports recommending security trades, based on analysis of factors in the economy, industry, and company. The class will discuss each report and make group decisions on trades, with the instructor having final authority.

2. During periods of time when the appropriate finance/business classes are not offered, the educational institutions are encouraged to continue management through student investment clubs. During periods of time when neither an investment class or club is available, the coordinating D.A. Davidson Financial Consultant will provide portfolio oversight as necessary.

3. D.A. Davidson & Co. (DAD) will fund the Davidson Student Investment Fund by depositing \$50,000 in an account on or about September 1st of each school year. These funds represent capital of the brokerage firm and are not a permanent endowment. A calculation will be made at the end of August each year regarding the total return to determine the bonus payment described in paragraph Four (4) below. This procedure will allow the students to emphasize long term investing rather than short term trading. After the valuation date, the funds will be rebalanced to \$50,000 for the new academic year.

4. The bonus payment to the institutions will be equal to one-half of the total return (capital appreciation and income), after all commission costs, in excess of 5% annualized return earned on the \$50,000 Davidson Student Investment Fund. The bonus calculation will be made by DAD, and the payment will be made by DAD, if due, in September of each year. DAD will assume any losses, and each school year is a separate bonus opportunity.