



Hands-On Learning: Managing an Investment Portfolio

By Judith Swisher

With just over a year since the first student-managed investment class at Western Michigan University (WMU) in Kalamazoo, students at the Haworth College of Business are realizing a performance that is “very respectable and only slightly lags the benchmark Standard & Poor’s 500 Index,” according to Len Harrison. Harrison, a principal at LVM Capital Management LTD, teaches the course.

As part of the class, students conduct investment research and manage a portfolio valued at more than \$500,000. The course provides a real, hands-on learning experience to senior-level finance students and MBA students with finance concentrations.

Since John Dewey first promoted the learning-by-doing education model,¹ experiential learning has gained popularity. Evidence supports the use of experiential learning (see Stanley Block and Dan French,² and Edward Lawrence³). Although stock trading simulations are widely used in university investment classes, students typically view the simulations as games.

In the student-managed investment fund class, however, the students act as research analysts, using quantitative, qualitative and fundamental analysis to determine whether a financial security should be included in the portfolio. Because political and economic developments can affect the investments, the students must stay abreast of current events. Professional money managers visit the class to share their perspectives on various aspects of investments.

The student-managed investment fund class was made possible by the WMU Foundation, which appointed the class as a large cap manager for \$500,000 of foundation funds. The students, under the guidance of Harrison, have fiduciary responsibility to manage the funds on behalf of the foundation, subject to the WMU Foundation Investment Policy Statement and other guidelines provided by the WMU Foundation Investment Committee. The class, as manager of foundation funds, reports to the WMU Foundation Investment Committee, as do other fund managers.

The Haworth College of Business is working to raise additional funds from private donors to expand the management to other asset classes, such as small cap and fixed income. Students must apply to be admitted in this unique class, and class size is limited to 10-15 students.

Student feedback

Students are enthusiastic about their classroom experience. “Mr. Harrison did a superb job of taking us through the process and due diligence needed in selecting particular stocks,” said Tony Panici, an MBA student and a financial representative with Northwestern Mutual. He said the course prepared him to assume similar responsibilities in a professional capacity.



The demand for financial professionals is expected to be strong. According to the U.S. Bureau of Labor Statistics' *Occupational Outlook Handbook*, "Overall employment of financial analysts is expected to grow by 20% during the 2008-2018 decade, which is much faster than the average for all occupations."⁴

Factors driving this growth are the complexity and globalization of investment opportunities, as well as the proliferation of hedge funds and mutual funds. As assets under management grow, the need for financial analysts to conduct investment research and make recommendations will increase.



Len Harrison (right), a principal at LVM Capital Management LTD, teaches the student managed investment class at Western Michigan University.

References

1. John Dewey, *Experience and Education*, Collier, 1938.
2. Stanley B. Block and Dan W. French, "The Student Managed Investment Fund: A Special Opportunity in Learning," *Financial Practice and Education*, Vol. 1 (spring), 1991, pp. 35-40.
3. Edward C. Lawrence, "Financial Innovation: The Case of Student Investment Funds at United States Universities," *Financial Practice and Education*, Vol. 25, No. 1, 1994, pp. 165-173.
4. Bureau of Labor Statistics, *Occupational Outlook Handbook*, 2010-2011 edition, www.bls.gov/oco/ocos301.htm.

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