

PORTFOLIO MANAGEMENT PROGRAM ESMT BERLIN & HUMBOLDT UNIVERSITY

Handout – September/October 2019

The Portfolio Management Program (PMP) is an optional two-year elective, wherein selected students actively manage a real-money portfolio of 1 million Euro per group with a total portfolio value of 3 million Euro. The concept of the PMP enables participants to combine theory and practice and to not only develop real investing skills, but also to apply them. PMP students learn how to cope with the positive and negative dynamics of active investing and how to develop their own strategies in global markets.

Meeting Schedule (Preliminary)

We will provide a full schedule for the program in due course. Below you find a first draft of the meeting schedule and the key dates for HU and ESMT students.

#	Date	Time	Place	Topic	Content	Mentors ZZ	Mentors Academic	Mentor Quant
Summer Break - Invest, monitor the Portfolio and send monthly updates - No presentations take place								
Application Deadline 3rd Cohort 2019/21: ESMT 3rd of Oct. / HU 17th of Oct. - ESMT Interviews: 11.10 - HU Interviews: tbd								
1	Fri, 25. Oct	12 - 19:00	Schöneberg	PMP Workshop	Introduction & Foundations of the PMP Part I	all	all	all
2	Sat, 26. Oct	09 - 16:00	Schöneberg	PMP Workshop	Foundations of the PMP Part II	all	all	all
3	Fri, 08. Nov	14:30 - 17:30	Schöneberg	Group meeting	Groups meet and work on a defined project	- *		
4	Fri, 15. Nov	14:30 - 17:30	Schöneberg	Manager Presentation	Managers give an update about trades & performance	SC		
5	Fri, 22. Nov	14:30 - 17:30	Schöneberg	Group meeting	Groups meet and work on a defined project	- *		
6	Fri, 29. Nov	14:30 - 17:30	Schöneberg	Analyst Presentation	Analysts present and discuss their project outcomes	FLM		
7	Fri, 06. Dec	14:30 - 17:30	Schöneberg	Group meeting	Groups meet and work on a defined project	- *		
8	Fri, 13. Dec	14:30 - 17:30	Schöneberg	Market Discussion	Global Markets Presentation & Christmas Drinks	SC & IT		
Christmas Break 2019/2020								
9	Fri, 10. Jan	14:30 - 17:30	Schöneberg	Analyst Presentation	Analysts give a presentation about a project	SC		
10	Fri, 17. Jan	15:00 - 17:30	Schöneberg	Group meeting	Groups meet and work on a defined project	- *		
11	Fri, 24. Jan	15:00 - 17:30	Schöneberg	Manager Presentation	Managers give an update about trades & performance	FLM?		
12	Fri, 31. Jan	14:30 - 17:30	Schöneberg	Group meeting	Groups meet and work on a defined project	- *		
13	Fri, 14. Feb	14:30 - 17:30	Schöneberg	Technical Meeting	See mail for instructions	FLM & IP?		
14	Fri, 21. Feb	14:30 - 17:30	Schöneberg	Group meeting	Groups meet and work on a defined project	- *		
15	Fri, 28. Feb	14:30 - 17:30	Schöneberg	Manager Presentation	Macro Presentations (PMP Zürich & PMP Vienna)	all		
16	Fri, 6. Mar	14:30 - 17:30	Schöneberg	Group meeting	Groups meet and work on a defined project	- *		
17	Fri, 13. Mar	14:30 - 17:30	Schöneberg	Analyst Presentation	Analysts give a presentation about a project	SC		
18	Fri, 20. Mar	14:30 - 17:30	Schöneberg	Group meeting	Groups meet and work on a defined project	- *		
19	Fri, 27. Mar	14:30 - 17:30	Schöneberg	Expert Talk	Expert Presentation and Q&A - tbd	all		
PMP Year II: Manager Period								

Application Procedure

Interested students are invited to send their complete applications to pmp@esmt.org by **October 3rd 2019 (for ESMT students) or by October 17th (for HU students) at the latest**. Then, potential candidates will be shortlisted and invited for an interview. All selected participants will receive a notification by October 24th 2019. The first **kick-off meeting** will take place on **October 25th 2019**, where all PMP candidates get together. At the kick-off meeting, the tutors will introduce the program and the three different groups. Afterwards, students can opt for a preferred group. However, we have to ensure that there is enough diversity among these (skills, and university enrolment).

All applications should include the following material (aggregated in a single PDF and ranked as follows):

1. Curriculum vitae
2. Letter of motivation (describe your background and motivation for the PMP)
3. Transcripts (most recent grades)
4. References of employment (if applicable)

PMP Group Structure & Strategies

1. ZZ-Group – Emerging & frontier markets fixed income
2. Quantitative Risk Premia (ESMT) – Systematic harvesting of risk premia across all assets
3. Best of Academia (HU) – Asset management based on state-of-the-art academic research

The corresponding strategies are:

1. The ZZ group will be mentored by Managing Directors of ZZ Vermögensberatung AG and by Mr. Peter Pühringer. We implement mainly a FX and fixed income carry strategy with a focus on emerging markets. The strategy comes closest to the industry definition of global macro investing. Additionally, value investments play an important role here. Also, exposure to other risk premia could be of interest (e.g. volatility). Moreover, the duration factor is of interest for long-term investments here (due to the big interest rate differential and possible movements in long-term interest rates and their effects on bond investments).
2. ESMT's group will develop a strategy mentored by Dr. Gerald Leitner, who serves as an executive in residence at ESMT. Mr. Leitner has a vast amount of experience in the hedge fund industry and will help shaping the investment strategy. A systematic cross-asset risk premia based approach with a stronger equity focus than the other groups could be an interesting starting point for this group.
3. Humboldt's group will be mentored by Prof. Stomper and Prof. Adam, who follow a strategy that is strongly influenced by academic findings, that is with an emphasis on political risk (see "Political risk and expected government bond returns" by Duyvesteyn, Martens and Verwijmeren, JEF 2016), as well as other risk premia based approaches.

Benchmarks for the three different strategies will be defined within the next weeks. The target return for every group will be around 12% p.a. given a volatility lower than 20%.

Attendance Ratio and Grading

We propose a minimum attendance ratio of 75% over the two years. Not meeting this requirement will lead to dropping out of the program. Still, students are advised to attend as often as possible and should be used to doing so from different other courses anyway.

Depending on the curriculum of the university, the PMP can be selected either as specialization or elective. If the university is not officially affiliated with the PMP at the moment, it is offered as an extracurricular activity and participants are not eligible for grading and ECTS. At the moment, ESMT will not students a number of credits for participating in the PMP, while HU does. Therefore, a grading mechanism must be in place. The final grade for the PMP will depend on a weighted average of the following factors:

- Attendance ratio
- Number and quality of presentations held during the years
- Performance of the group as a whole
- Performance of the Portfolio

Additionally, we will employ a grading mechanism within the groups so every group member can evaluate if the workload was evenly distributed among all members. This procedure should ensure that we minimize free-riding behavior in the PMP.

Project Members & Support

The term "Project Members" mainly relates to tutors and mentors. While tutors handle the "daily business" and help students implement their trade ideas as well as giving them feedback on those ideas, mentors define and discuss the strategic asset allocation and define the general strategy of the corresponding group's portfolio.

The involved professors, that are mentors to the groups, should also supervise the PMP meetings, grade the presentations and present interesting academic topics from time to time to the students on a reasonable level.

We encourage every interested student to apply for the PMP. If there are any questions regarding the structure of the program or the content, please do not hesitate to send a mail to pmp@esmt.org.