

Finance at Owen

Nick Bollen

Frank K. Houston Professor of Finance
Faculty Director, MSF Program

My Bio

| | | |
|-------------|-------------------|--------------------|
| 1984 - 1988 | Cornell | B.A. Physics, Econ |
| 1988 - 1991 | State Street Bank | Accounting |
| 1991 - 1997 | Duke | M.B.A., Ph.D. |
| 1997 - 2001 | U. of Utah | Asst. Professor |
| 2001 - now | Vanderbilt | Professor |

Research: hedge funds and mutual funds

Teaching: Financial Economics (MSF, MAcc), Investments (MBA)

MSF Core Curriculum

| Course Number | Course Title | Credit Hours |
|------------------------------------|---|--------------|
| ORIENTATION | | |
| MGT 6401 | Financial Economics I | 2 |
| MGT 6406 | Professional Development and Communications | 1 |
| MOD I | | |
| MGT 6403 | Econometrics I | 2 |
| MGT 6410 | Financial Reporting I | 2 |
| MGT 6402 | Financial Economics II | 2 |
| MGT 6405 | Financial Modeling | 2 |
| MOD II | | |
| MGT 6411 | Financial Reporting II | 2 |
| MGT 6431 | Corporate Value Management | 2 |
| Total required credit hours | | 15 |


MSF Primary Electives

| Course Number | Course Title | Credit Hours |
|---------------|--|--------------|
| MGT 6432 | Corporate Financial Policy | 2 |
| MGT 6433 | International Financial Markets and Instruments | 2 |
| MGT 6435 | Applied Investment Management | 2 |
| MGT 6436 | Bond Markets | 2 |
| MGT 6443 | Advanced Corporate Valuation | 2 |
| MGT 6530 | Mergers and Acquisitions | 2 |
| MGT 6531 | Private Equity | 1 |
| MGT 6533 | Derivatives | 2 |
| MGT 6536 | Portfolio Analysis and Trading | 2 |
| MGT 6537 | Corporate Restructuring | 1 |
| MGT 6537 | Corporate Restructuring for Non-Distressed Firms | 1 |
| MGT 6636 | Financial Institutions | 2 |
| MGT 6639 | Entrepreneurial Finance | 2 |

Wowza! S&P Hedge Fund Index Product

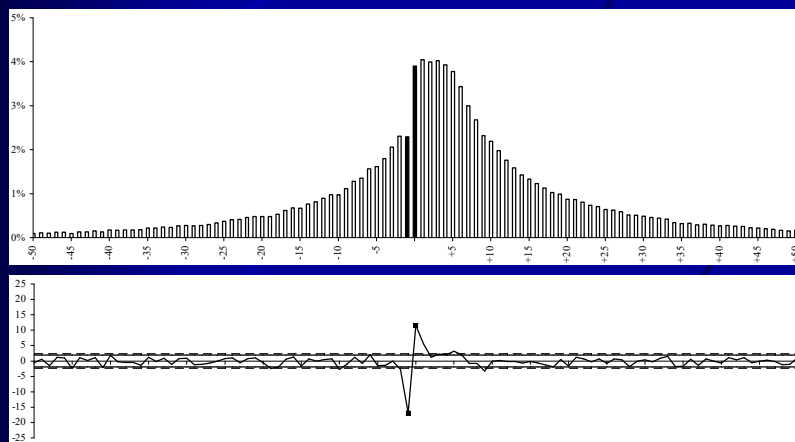
Pro-forma results: 30-40 Hedge Funds in the Index




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“Do Hedge Fund Managers Misreport Returns?”

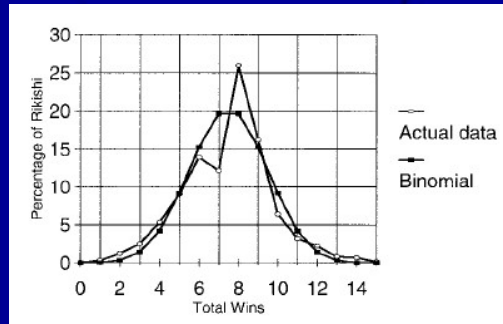
Bollen and Pool (2009) *Journal of Finance*



Histogram of monthly returns, full sample 1994 – 2005

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“Winning Isn’t Everything: Corruption in Sumo Wrestling”
Duggan and Levitt (2002) *AER*




Too good to be true

Gregoriou and Lhabitant (2009 *JWM*) show 10 months of losses out of 215 for Fairfield Sentry, a Madoff feeder fund

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year | |
|------|-------|-------|------|------|-------|-------|------|-------|------|-------|-------|------|-------|------|
| 1990 | | | | | | | | | | | | | 2.8% | 2.8% |
| 1991 | 3.1% | 1.5% | 0.6% | 1.4% | 1.9% | 0.4% | 2.0% | 1.1% | 0.8% | 2.8% | 0.1% | 1.6% | 18.6% | |
| 1992 | 0.5% | 2.8% | 1.0% | 2.9% | -0.2% | 1.3% | 0.0% | 0.9% | 0.4% | 1.4% | 1.4% | 1.4% | 14.7% | |
| 1993 | 0.0% | 1.9% | 1.9% | 0.1% | 1.7% | 0.9% | 0.1% | 1.8% | 0.4% | 1.8% | 0.3% | 0.5% | 11.7% | |
| 1994 | 2.2% | -0.4% | 1.5% | 1.8% | 0.5% | 0.3% | 1.8% | 0.4% | 0.8% | 1.9% | -0.6% | 0.7% | 11.5% | |
| 1995 | 0.9% | 0.8% | 0.8% | 1.7% | 1.7% | 0.5% | 1.1% | -0.2% | 1.7% | 1.6% | 0.5% | 1.1% | 13.0% | |
| 1996 | 1.5% | 0.7% | 1.2% | 0.6% | 1.4% | 0.2% | 1.9% | 0.3% | 1.2% | 1.1% | 1.6% | 0.5% | 13.0% | |
| 1997 | 2.5% | 0.7% | 0.9% | 1.2% | 0.6% | 1.3% | 0.8% | 0.4% | 2.4% | 0.6% | 1.6% | 0.4% | 14.0% | |
| 1998 | 0.9% | 1.3% | 1.8% | 0.4% | 1.8% | 1.3% | 0.8% | 0.3% | 1.0% | 1.9% | 0.8% | 0.3% | 13.4% | |
| 1999 | 2.1% | 0.2% | 2.3% | 0.4% | 1.5% | 1.8% | 0.4% | 0.9% | 0.7% | 1.1% | 1.6% | 0.4% | 14.2% | |
| 2000 | 2.2% | 0.2% | 1.8% | 0.3% | 1.4% | 0.8% | 0.7% | 1.3% | 0.3% | 0.9% | 0.7% | 0.4% | 11.6% | |
| 2001 | 2.2% | 0.1% | 1.1% | 1.3% | 0.3% | 0.2% | 0.4% | 1.0% | 0.7% | 1.3% | 1.2% | 0.2% | 10.7% | |
| 2002 | 0.0% | 0.6% | 0.5% | 1.2% | 2.1% | 0.3% | 3.4% | -0.1% | 0.1% | 0.7% | 0.2% | 0.1% | 9.3% | |
| 2003 | -0.3% | 0.0% | 2.0% | 0.1% | 1.0% | 1.0% | 1.4% | 0.2% | 0.9% | 1.3% | -0.1% | 0.3% | 8.2% | |
| 2004 | 0.9% | 0.5% | 0.1% | 0.4% | 0.7% | 1.3% | 0.1% | 1.3% | 0.5% | 0.0% | 0.8% | 0.2% | 7.1% | |
| 2005 | 0.5% | 0.4% | 0.9% | 0.1% | 0.6% | 0.5% | 0.1% | 0.2% | 0.9% | 1.6% | 0.8% | 0.5% | 7.3% | |
| 2006 | 0.7% | 0.2% | 1.3% | 0.9% | 0.7% | 0.5% | 1.1% | 0.8% | 0.7% | 0.4% | 0.9% | 0.9% | 9.4% | |
| 2007 | 0.3% | -0.1% | 1.6% | 1.0% | 0.8% | 0.2% | 0.2% | 0.3% | 0.2% | 0.5% | 1.0% | 0.2% | 6.4% | |
| 2008 | 0.6% | 0.1% | 0.2% | 0.9% | 0.8% | -0.1% | 0.7% | 0.7% | 0.5% | -0.1% | | | 4.5% | |


Ponzi schemes and insider trading



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Backlash post financial crisis



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From the SEC

“Understand how a fund's assets are valued

Funds of hedge funds and hedge funds may invest in highly illiquid securities that may be difficult to value. Moreover, many hedge funds give themselves significant discretion in valuing securities.

You should understand a fund's valuation process and know the extent to which a fund's securities are valued by independent sources.”

Source: www.sec.gov/answers/hedge.htm

Bill Christie: NASDAQ Reforms



- Was the “whistle blower” for NASDAQ collusion
- President of the Financial Management Association 2015-2016
- Teaches Managerial Finance (MBA core)
- Repeat winner of the Outstanding Teacher Award

Craig Lewis: Corporate Finance



- Former SEC Chief Economist
- Won the 2016 CFA Graham and Dodd Best Paper for “Interconnectedness in the CDS market”
- Teaches Corp Val and Corporate Financial Policy

Berk Sensoy: Private Equity



- Joined Owen in 2017 after teaching at USC and OSU
- Studies risk and return in Private Equity
- Teaches Entrepreneurial Finance

Bob Whaley: Futures, Options, VIX



- World renowned expert on derivatives
- Created the VIX
- Teaches Applied Investment Management
- Director of the FMRC

Jesse Blocher: Mutual Funds and HFT



- Joined Owen in 2012 from UNC
- Studies the impact of mutual fund trading on stock returns, ETFs, and HFT
- Teaches Corp Val

Ben Munyan: Bonds



- Joined Owen in 2016 from U. Maryland
- Studies bond markets
- Research affiliation with the U.S. Office of Finance Research
- Teaches Bond Markets

Josh White: Securities Regulation



- Joined Owen in 2017 from U. Georgia
- Former SEC Economist
- Studies the role of information disclosure and securities regulation
- Teaches Corporate Financial Policy

Peter Haslag: Corporate Finance



- Joined Owen in 2017 from Washington U.
- Studies corporate finance
- Teaches undergraduates
- Vanderbilt MSF (2011)

See you at the end of the summer!