

**Artex Banking School**

# Program for Entrepreneurs and Financial Managers in Saudi Arabia

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**Artex Value**  
LIMITED

## **Artex Value Ltd.**

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## Morning Sessions: An Introduction to Global Portfolio Management

**D**esigned for asset managers, wealth management professionals and bank portfolio managers, this seminar introduces the newest tools and strategies to analyze investments, to build portfolios, and to understand the role of capital markets in providing growth opportunities within emerging markets. Using Direct and Encorr, Morningstar, Inc.'s web-based software and workstations, instructors will direct seminars using live prices, statistics and the newest analytic tools, illustrating their role in identifying investments and creating investment portfolios. Participants will receive their own password and on-line access to examine the full line of Morningstar's analytic tools, with course work designed to help participants build and monitor their own portfolios. Using a "hands-on" approach, the goal is to teach participants how professional money managers do their research, choose investments, design portfolios and track performance.

The first phase builds an analytical framework for making portfolio management decisions by establishing a philosophical framework of the investment field, helping participants understand how financial markets function. Focusing on equities, the seminar also introduces the role of diversification, risk and returns, with the goal of developing skills that are

useful for active portfolio management. An in-depth review of Modern Portfolio Theory is revealed through the discussion of current issues in financial markets, including behavioral investing, fundamental and technical analysis and the role of emerging markets to the development of the global market.

The second phase of the seminar covers a range of topics surrounding the theme of "active vs. passive investing," beginning with the basic definition of an index, the mechanics required to construct a proper index as well as the continuous management needed to minimize tracking errors. Furthermore, a historical account of index investing will provide participants with an overview of its evolutionary struggle into mainstream investment theory and how it has evolved as an important component of modern asset allocation strategies. Emphasis is given to presenting the academic debate that surrounds passive vs. active investment strategies and the justification on both sides of this argument. Finally, insights into the intellectual property theory behind the licensing of index and the creation of index-linked products are reviewed. This phase provides the intellectual justification for indexing and discusses the reasons why it remains a viable investment strategy today.

### Topics

1. The role of Capital Markets in Major and Emerging Markets.

2. Financial Markets and Financial Assets: overview of the different financial instruments that are often classified into asset classes, required rates of return relative to risk characteristics, how and where do these assets trade, and an examination of the mutual fund industry.

3. Fixed Income Securities: basic bond evaluation including term structure of interest rates, duration, and investment strategies related to fixed income investment.

4. Security Valuations: a look at fundamental stock valuation techniques focusing on Dividend Discount Model and the Capital Asset Pricing Model and their related components. The discussion will progress to include valuation built on Free Flow

Cash Flow models as well as ratio comparison and some alternative valuation techniques.

5. Portfolio Theory: the concept of market efficiency and efficient frontier is discussed. Formation of an efficient portfolio from a list of assets and the inherent benefits of diversification.

6. Asset Pricing Models: a detailed discussion of the arguments that surround the Capital Asset Pricing Model and whether it is an accurate tool to determine expected returns.

7. Market Efficiency: addresses the question market efficiency. Do inefficiencies exist and do they present opportunities to outperform the market? Topics in Fundamental and Technical analysis, and Behavioral Finance, are discussed in-depth.

8. Active vs. Passive investing:

highlights the differences between active and passive investing as well as the application of benchmark portfolios and how they can be used to evaluate investment managers' performance.

9. A short history of indexing: the historical evolution of indexing and the rationale for indexing. The driving factors behind why indexes outperform active investing over time.

10. Tools in choosing a benchmark: issues that surround the selection of an index for replication. Focus is given to targeted class and the methodologies for compiling and calculating indexes.

11. Performance track record of passive vs. active management: the comparison of returns provided by active management as compared to passive management utilizing historical data.

12. Overview of the equity index markets: increasing investor demand for additional index products to provide a more diversified approach to index strategies. A look at the most popular indexes used for creating index funds.

13. Adding value through equity style and using style analysis to build complete funds: the significance of style exposure to a portfolio's return is the theme. Insights into the need for portfolio managers to be cognizant of the impact style allocation can have on their portfolios. Using style to obtain true portfolio diversification.

14. The mechanics of licensing financial indexes: Insight into intellectual property theory behind the licensing of indexes and the legal aspects of the index business.

LEAD INSTRUCTOR

**Peter Chresanthakes**

*CFA, Professor Anatolia College, with the Morningstar Training Team*

## Afternoon Sessions: Understanding Tools Money Managers Use to Build Portfolios

The third phase of the seminar introduces participants to Morningstar's Direct and Encorr products using live workstations. Participants will use their own passwords to gain access Morningstar software. With the assistance of Morningstar's staff of financial analysts, students will understand how professional money managers make their investment decisions. Seminars will cover the following topics:

### Session 1

Best Practices in manager selection and portfolio management, including:

- +Peer and Style Analysis
- +Performance Attribution
- +Performance Reporting and Monitoring

### Session 2

Practical implementation of best practices using Direct\*

### Session 3

How to build sound asset allocation strategies, including:

- +Building good capital market assumptions (expected returns, risk and correlation)
- + Portfolio Optimization
- +Stress Testing Asset Allocation Mixes

### Session 4

Practical implementation of techniques using Encorr\*\*

Learning Objectives

During the seminar, the participants are exposed to:

- The application of financial theory to the issues and problems of Portfolio Management.
- The current state of asset pricing methodologies.
- The link between security analyses with a focus on intrinsic value.
- The concept of market efficiency.
- Current issues related to the argument of active

vs. passive investment

- Portfolio Management issues and the role that passive investment products
- The mechanics of building and managing an index
- The ancillary products that can be devised from a simple index.
- The role of Sharia compliance and the diversification benefits offered to a well balanced portfolio.
- An overview of the latest analytic tools and their applications.

## Learning Outcomes

Participants will:

### 01

Enhance understanding of current market tools available to assist Financial Managers, using real time data from Morningstar's own analytics team.

### 02

Understand the relative importance and use of the prevailing financial indicators.

### 03

Understand the factors and practical concerns that credit analysts face when evaluating the relative value of a corporation.

### 04

Explore the field of portfolio analysis, using real-time tools to assist managers to better manage portfolios.

### 05

Gain insight into the current trends within data and information delivery, including data base management, live feeds from the exchanges and how information is transmitted using television and electronic formats. Participants will conduct their own research and analysis, real time, in Morningstar's workstation classroom setting, and utilize the newest IT applications.

Format

- Lectures
- Exercises
- Video
- Discussions
- Case Studies

Time

Requirement Four, two-day sessions of five hours each, over 4 months, for a total of 40 hours of instruction.

## Learning Outcomes

### The student will

01. Strengthen their creative thinking and problem solving skills.
02. Understand the attitude and mindset of successful entrepreneurs.
03. Evaluate essential factors and practical concerns that influence how people think.
04. Explore success stories of transforming hidden assets into exponential growth.
05. Apply innovation strategies to new product development, customer service, and organizational conflicts.

### Course Description

This course is about productive thinking, and is designed to assist students in developing critical and creative thinking skills which are essential ingredients to enhance their innovation and decision-making skills. These skills include the ability to make well-reasoned decisions, solve problems skillfully, and make carefully thought-out judgments about the worth, accuracy, and value of information, ideas, claims and proposals. Students will apply various modes of thinking to address critical business issues and workplace applications.

## Course Objectives

01. Understand key concepts in the definition and development of creative thinking.
02. Develop confidence and skill in using a thinking process to solve problems and resolve issues.
03. Evaluate essential factors and practical concerns that influence how people think.
04. Achieve greater self-awareness of your own critical and creative

thinking process and your potential for producing creative work.

05. Participate in activities that draw upon your knowledge of specific content that can be critically and creatively applied to real-world problems.
06. Interact with colleagues to help identify and attain personal resolution of controversies in society and the business world.
07. Create an atmosphere in which students can be creative in their thinking.

## Additional Reading

### Recommended Reading

01. *Cracking Creativity: The Secrets of Creative Genius*, Michael Michalko, 2001
02. *The Art of Thinking: A Guide to Critical and Creative Thought*, Vincent Ryan Ruggiero, 9th Ed., 2009
03. *Think Better: An Innovator's Guide to Productive Thinking*, Tim Hurson, McGraw-Hill, 2008
04. *Creativity: Flow and the Psychology of Discovery*

*and Invention*, M. Csikszentmihalyi, Harper Collins, 1997

05. *Handbook of Creativity*, R.J. Steinberg (ed.), Cambridge University Press, 1999
06. *Selling Your Ideas To Your Organization*, Harold Scharlatt, Greensboro, NC, USA.; Center for Creative Leadership, 2008

### Preparation

- Learn the terminology! A workbook will be provided to guide participants.

- If you do not understand a concept, ask!
- Work through the exercises. Practice, practice, practice.
- Do not try to memorize your way through the course. The additional time you spend thinking things through will help you develop the creative and analytical skills required for the course.
- Continuously use the workbook as a guide through the course.

### Written Projects

01. Each student is required to develop a new, creative concept to be applied at the student's place of employment (as negotiated with the instructor).
02. Each student is required to submit a complete analysis concerning a specific creative thinking topic as negotiated with the instructor.

## Outline of Course

### I. Awareness / Background

(Focus: Broadening your outlook, clarifying various concepts, better understanding of your own strengths and weaknesses, and developing your analytical skills)

- A. Thinking
- B. Concepts About the Brain
- C. Truth and Fact Vs. Opinion
- D. Myths About Creative Thinking
- E. Negative Habits/Barriers/Obstacles To Creative Thinking

### II. Becoming Creative

(Focus: Producing ideas, and practice identifying, investigating, and solving a variety of challenging problems and issues)

- A. Common Characteristics of Effective Thinkers
- B. Techniques to Develop & Stimulate Creative Thinking
- C. Methods for Solving Problems / Issues Creatively
- D. Skill Improvements

### E. Steps in the Creative Process

01. Finding Challenges
02. Articulating the Problem or Issue
03. Researching the Problem or Issue
04. Revising the Problem or Issue
05. Generating Ideas or Solutions
06. Incubation Period
07. The Eureka Stage
08. Evaluation/Verification
09. Redefinition/Modification
10. Realization of Problem/Issue
- F. Applications to Problems, Issues, and Ideas

### III. Selling & Implementing Creative Ideas

(Focus: Building a persuasive case for presentation to other people)

- A. Anticipating Negative Responses
- B. Building a Persuasive Case

### IV. Creativity "Gym"

- A. Exercises to enhance creative thinking

### Time

### Requirement

Four, two-day sessions of five hours each, over 4 months, for a total of 40 hours of instruction.