Professor Arnold’s Seminars for Schroders Graduate Programme

Please note that the contents and order of delivery are modified from one year to the next. However, the following gives a rough idea of what is covered and gives examples of slides used in the presentation.

**What works in investment?**

* Day 1. Value versus growth
* Day 2. Return reversal and Piotroski factors
* Day 3. Momentum
* Day 4. Small firm effect and the accrual anomaly

**What works in investment?**

**Value vs. growth**

**Seminar 1 Some evidence**

* Evidence from the US
* The performance of value and growth portfolios
* Allowing for:
	+ risk
	+ size effect
	+ specific to one place at one time
	+ one dimensional or two dimensional
	+ use more than one year’s earnings numbers

Here is one of the slides:



**Seminar 2 UK and international evidence**

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**Seminar 3 Why does it happen?**

* Some potential explanations for the ubiquity and consistency of value outperformance drawing particularly on behavioural finance literature

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**Afternoon –**

Group exercise: Prepare a presentation describing and explaining some of the literature on value versus growth.

**Return reversal and Piotroski factors**

**Seminar 1 Return reversal**

* IDEA: Shares that have experienced extreme falls over a number of years then go on to provide above market returns over the subsequent 3-5 years. Shares that have experienced extremely high returns subsequently under-perform
* Evidence from various studies
* Robust to market, risk, size effect

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**Seminar 2 Piotroski**

* Examining Piotroski’s paper and the Arnold and Xiao paper.
* Evidence that simple financial statement variables can be used to boost portfolio returns

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**Seminar 3 Any explanations for the return reversal and Piotroski results?**

* Some potential behavioural explanations for the phenomena
	+ This may strengthen our faith in the longevity of the phenomena

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**Afternoon**

Group exercise: Prepare a presentation describing and explaining work on return reversal and Piotroski factors

Presentation time: 10 minutes Open for questions: 5 minutes

**Momentum**

**Seminar 1 Price momentum**

* Does it work? Evidence.
* Which momentum rules work?
* What are the underlying behavioural factors?

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**Seminar 2 Earnings momentum**

* Post-earnings announcement drift evidence

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**Seminar 3 Explanations for momentum**

* Price momentum and trading volume
* Why does trading volume predict returns?
* Momentum Life Cycle
* over-confidence and self-attribution bias
* Conservatism bias
* Anchoring
* Keynes’s beauty competition

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**Afternoon**

Group exercise:

Prepare a presentation describing and explaining an research results on the subject of momentum

Presentation time: 10 minutes Open for questions: 5 minutes

**Small firm effect and The accruals anomaly**

**Seminar 1 The small firm effect**

* A range of evidence from around the world
* Small firms appear to out-perform large firms over long periods.
* However:
	+ Other long periods show large firms doing better
	+ The empirical results depend on the methodology
	+ The are high costs associated with small-cap strategy

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**Seminar 2 The accrual anomaly**

* Evidence from academic studies

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**Seminar 3 Explanations for the phenomena**

* Some ideas to try to explain the small firm effect and the accruals anomaly
* Large companies are bid up too much (representativeness)
* Quality of management relationships
* Avoidance of regret for the fund manager
* Illiquidity premium
* Neglect
* Shocks (A rational-asset-pricing explanation)
* Positive feedback
* Small companies have faster earnings growth
* Turtle eggs and takeovers
* Small firm effect – Risk explanation
* Uncertainty/Ambiguity
* The Accrual Anomaly – Anchoring
* Availability bias
* Framing

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**Afternoon**

Group exercise: Prepare a presentation describing and explaining some important evidence on share pricing

Presentation time: 10 minutes Open for questions: 5 minutes