SUMA PS5320 – Sustainable Investing and Economic Growth - Spring 2018
Instructor: Satyajit Bose

**Introduction to Sustainable Investing**
The Financial Ecosystem and the Circular Flow of Savings and Investment
Steady State Economics, Throughput, Thermodynamics and Optimal Scale

[Lecture Slides](#)

**Readings**

Sustainable Investing:


Financial Ecosystem:


Steady State Economics:


2 Corporate Governance and the Joint Stock Corporation
(Thurs Jan 25, 2018 06:10 PM - 08:00 PM)

Corporate governance and the principal-agent problem
The concept of Fiduciary duty for the 'sustainable investor'

The history of the joint stock corporation

**Lecture Slides**

**Readings**

**Corporate Governance and Fiduciary Duty**


**History of the Corporation**


**3 Modern Portfolio Theory**

(Thurs Feb 1, 2018 06:10 PM - 08:00 PM)

Markowitz portfolio choice and diversification.

Alternative measures of risk.

**Lecture Slides**

**Readings**


Example: Two-stock data for portfolio optimization

4 The Capital Asset Pricing Model
(Thurs Feb 8, 2018 06:10 PM - 08:00 PM)
CAPM as a form of equilibrium pricing.
Lecture slides

Readings


Example: Two Stock Portfolio Optimization

Example: GMI.SP500.Ratings.xlsx

5 ESG Integration through Fundamental and Quantitative Due Diligence
(Thurs Feb 15, 2018 06:10 PM - 08:00 PM)
Lecture Slides

How is ESG integrated into investment management?

- Active vs Passive
- Fundamental vs Quantitative
- Alpha vs Beta
- Stakeholder relations


Four Stock Optimization

6 Extending Responsible Investment Across Asset Classes and Addressing Correlation
(Thurs Feb 22, 2018 06:10 PM - 08:00 PM)

Lecture Slides

Readings

David Wood and Belinda Hoff. Handbook on Responsible Investment Across Asset Classes. Boston College Center for Corporate Citizenship. 2008. (Links to an external site.)


7 Sustainability and Stock Market Return
(Thurs Mar 1, 2018 06:10 PM - 8:00 PM)

Lecture Slides

An introductory article on corporate social responsibility and business strategy:


Three competing narratives on the link between social responsibility in investing and portfolio return:


8 Sustainability and Risk: Beyond Volatility, Tracking Error and Correlation (Thurs Mar 8, 2018 06:10 PM - 8:00 PM)

Lecture Slides

Sustainability performance and risk: idiosyncratic risk and market crises.

Readings:


Critiques of the value of Social Responsibility in Portfolio Performance:


Spring Break NO CLASS (Thurs Mar 15, 2018 06:10 PM - 08:00 PM)

Sample Midterm and Solutions from last year for review.

In Class Midterm (Thurs Mar 22, 2018 06:10 PM - 08:00 PM)

9 Income Inequality, the Principal-Agent Problem and the Rhetoric-Reality Gap (Thurs Mar 29, 2018 06:10 PM - 08:00 PM)

Lecture Slides

Income Inequality and Sovereign Risk, cross-country credit risk differentials


**Akins on Sovereign Risk**

**The Agency Problem and Corporate Fraud:**


Chaitman, H. D. & L. Gotthoffer. "Hallelujah: Jamie Dimon’s Been Born Again — or Has He?" Chapter 7 in JPMadoff: The Unholy Alliance between America's Biggest Bank and America's Biggest Crook.

**Schroeder on JPMadoff**

**Optional Reading:**


10 A Primer on Valuation Analysis and Energy and the Limits to Growth (Thurs Apr 5, 2018 06:10 PM - 08:00 PM)

**Lecture Slides**

Review of comparable valuation analysis:

GD.Comp.xlsx

The Role of Energy in Economic Growth

**Readings**

**Valuation:**


**Energy and Limits to Growth:**


11 Tentative Solutions
(Thurs Apr 12, 2018 06:10 PM - 08:00 PM)

Lecture Slides

Readings


12 Case Studies
(Thurs Apr 19, 2018 06:10 PM - 08:00 PM)

Lecture Slides

1. Generation Investment Management

Read the HBS Case 9-609-057 on Generation Investment Management (attached).

2. Could the Rana Plaza fire have been predicted?


The article discusses the April 24, 2013 Rana Plaza factory collapse that occurred in Dhaka, Bangladesh and killed more than 1,000 garment factory workers. Topics
discussed include the rescue efforts that followed the collapse, the reasons for the failure of the building, and the efforts of Abul Khair.

Labowitz, S. & D. Baumann-Pauly (2014). "Business as Usual is Not an Option: Supply Chains and Outsourcing after Rana Plaza (Links to an external site.) Links to an external site." Report by NYU Stern Center for Business and Human Rights. Some useful contextual readings, including an important controversy between NYU and UC Santa Barbara are available at:


Generation+Investment+Management+2009.pdf
RanaPlaza.VQR.pdf
Lec 12 Case Studies 2016.pptx

Student Presentations
(Thurs Apr 26, 2018 06:10 PM - 08:00 PM)

Group Presentations of investment cases.

6:15 Panasonic Yes
6:30 Panasonic No
6:45 Q&A
6:50 Gazprom Yes
7:05 Gazprom No
7:20 Q&A
7:25 Ethereum Yes
7:40 Ethereum No
7:55 Q&A