



FIN 367: Investment Management

Course Syllabus Summer 2011

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Office Hours: MTWTH 15:00-17:00 (and by appointment)

Course Website: UT Blackboard

Location: UTC 1.116

Class Meetings: Monday-Thursday, 12:00 – 14:00.

1. Course objectives:

The primary objective of this finance course is to expose you to various fundamental investment concepts and theories. The target audience of this course is business students who intend to become financial professionals. Various fundamental finance and investment concepts will be discussed and analyzed throughout the course.

2. Textbooks/Materials:

Required: *Essentials of Investments*, 8th Edition. Zvi Bodie, Alex Kane, and Alan Marcus (BKM)

3. Calculator:

Each student is required to bring a calculator to classes and tests. Sharing a calculator in a test is **not** allowed. Because of the variety of calculators used, students will be expected to learn how to use their calculators on their own. Per Finance department policy, laptops are **not** allowed during class and are not to be used during exams.

4. Course Structure:

This course will be briefly divided into five main sections. In the first part, we will explore various financial instruments and asset classes, and discuss their risk-return attributes and the ways that they can help us to achieve targeted portfolio exposure. We will also look at how securities are traded in general and how uncertainty can be modeled financially. In the second part, we will cover modern theories on how various assets are priced. Fundamental building blocks in modern finance such as diversification and capital asset pricing model will be discussed. In the third part, we will walk through examples to see how securities and bonds are valued. Investment concepts such as market efficiency and behavioral finance will be explored. In the fourth part of this course, we will look at various derivative instruments, especially options and futures, and explore various ways to construct different payoff schemes.

5. Grading

a. There will be three in-class exams. All examinations are closed-book, closed-note. No make-up examination will be given. I do not accept a late exam but do allow for an early exam if you cannot make it on the scheduled date. The difficulty level of tests will vary during the semester.

Exam 1	30%	Monday, June 6th
Exam 2	30%	Wednesday, June 15th
Exam 3	40%	Thursday, July 7th

b. In the second last week, I will give an optional assignment. The performance on this assignment is worth of 10% of the final grade and can be used to replace the worst 10% from three exams. For example, if you perform worst in the last exam, it will count for 30% percent instead of 40% and the other 10% will be from this assignment, conditional on your assignment performance is no worse than this worst exam.

c. The grade will be assigned considering both your absolute and relative performance.

d. In general, 35% of students receive As, 40% receive Bs and 25% receive grades below a B. Plus/minus grades will be assigned for the final grade. I reserve the right to adjust this allocation in due course based on the overall class performance throughout the course but the proportion of students receiving As will only be higher but not lower than the one described above.

e. If your last exam score is within 85 percentile of the class pool, you will be guaranteed an A. If it is within 70% percentile, you will get an A- if your actual grade is lower than A-.

6. Absence from examination:

If you are absent for exam without any valid medical or family reasons, you will receive zero points and there will be no makeup exam. Any medical or family emergency must be accompanied with authentic or certified written proof. If you were seriously sick and could not make it to an exam, you are required to provide a doctor's written note documenting that you were medically unfit to attend the exam. If you have a family emergency, you should also provide written documentation showing the immediate cause. Note that it is the students' sole responsibility to provide written proof to substantiate their absence. In any case, you are required to immediately notify me if you will not be able to attend the exam. After reviewing the documentation, I may or may not scale up the weight of the remaining examinations to reflect the absence. Again, no makeup exam will be offered.

7. Regrading Policy:

Any appeal to grading must be made in writing and submitted to me within three class days after the graded exams are returned. An appeal will not be valid for consideration unless it is accompanied with clear written grounds of appeal. All appeals will be considered and returned within one week subsequent to submission. Note that there is no guarantee that I will increase point following appeal as points may increase, remain unchanged or decrease following consideration and there were cases where students received lower scores after the appeal.

8. Continuous Feedback:

I encourage you to give me feedback about the course material, my teaching style and anything else that would help you learn the course material better. You are welcome to come and talk to me in person if you have any concerns and/or suggestions. However, if that makes you uncomfortable, you can send me an anonymous email from a class email account that I have created at www.gmail.com. Login: fin367ut, Password: "invest367".

9. Honor Code

All students must comply with University policies for conduct and academic honesty at all times during this course. Details of your responsibilities are described in McCombs School's policy statement on scholastic dishonesty. Any violations of these policies will result in referral to the appropriate administrative body.

10. Students with Disabilities

The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, please contact the Office of the Dean of Students at 471-6259, 471-4641 TTY.

11. Course structure (tentative):

The following is a tentative course structure and subject to change during the semester. You are responsible for any changes to this tentative structure announced in the class.

Main topics:

Required readings

1 Basic Investment Concepts

- L1: Introduction – Asset classes, financial instruments and security trading
- L2: IPOs, mutual funds and hedge funds
- L3: Modeling uncertainty

BKM 1-3

BKM 3-4, 20.1, 20.6

2 Portfolio Theory and Asset Pricing

- L4: Basic statistical concepts and asset allocation
- L5: Portfolio theory
- L6: CAPM and APT

BKM 5-6

BKM 5-6

BKM 7

3 Security Valuation, Market Efficiency, and Behavior Finance

- L7: Performance evaluation and market timing
- L8: Security valuation
- L9: Bond pricing
- L10: Efficient market hypothesis
- L11: Behavioral finance

BKM 18

BKM 13

BKM 10-11

BKM 8

BKM 9

4 Options and Futures

- L12: Options market
- L13: Binomial model
- L14: Black-Scholes options pricing model
- L15: Futures Market

BKM 15

BKM 16

BKM 16

BKM 17

12. Class calendar (tentative):

<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>
<i>June 7</i> L1: Introduction – Asset classes, financial instruments and security trading	<i>June 8</i> L2: IPOs, mutual funds and hedge funds	<i>June 9</i> L3: Modeling uncertainty	<i>June 10</i> L4: Basic statistical concepts and asset allocation
<i>June 13</i> Exam 1	<i>June 14</i> L5: Portfolio theory	<i>June 15</i> L6: CAPM and APT	<i>June 16</i> L7: Performance evaluation and market timing
<i>June 20</i> L8: Security valuation	<i>June 21</i> L9: Bond pricing	<i>June 22</i> Exam 2	<i>June 23</i> L10: Efficient market hypothesis
<i>June 27</i> L11: Behavioral finance	<i>June 28</i> L12: Options market	<i>June 29</i> L13: Binomial model	<i>June 30</i> L14: Black-Scholes options pricing model
<i>July 4</i> Independence Day holiday	<i>July 5</i> L14: Futures market	<i>July 6</i> Review	<i>July 7</i> Exam 3