

DEPARTMENT OF FINANCE  
MCCOMBS SCHOOL OF BUSINESS  
UNIVERSITY OF TEXAS AT AUSTIN

*Syllabus*  
***Finance 367 – Investment Management***  
***Fall 2013***

Unique No. 03517: MW 2:00 – 3:15, UTC 3.132

Unique No. 03519: MW 3:30 – 4:45, UTC 3.132

Instructor: Michael A. Sadler, Ph.D.

Office: CBA 6.304C

Office Hours: Wednesday, 11:00 – 12:30

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Teaching Assistant: TBD

### **Course Objectives**

This course is designed to teach you the investment process. You will learn a conceptual framework for analyzing potential investments, and then apply this framework to bonds, stocks, derivatives, and portfolios of these assets. You should leave the class with the tools necessary to make intelligent investment decisions both personally and professionally. Moreover, you will gain a better understanding of how financial markets work and what role they play in society.

### **Prerequisites**

Finance 367 is restricted to students in a business major. Prerequisite courses are: Finance 357 or 357H; and credit or registration for Statistics 371G, 371H, 375, or 375H.

### **Classroom Etiquette**

No smart phones or other wireless devices, and no computers, please. You should be focused on the content presented in class for 75 minutes. Questions and comments are encouraged, and history shows that there is a positive and significant correlation between your final grade and your willingness to laugh at my jokes. Be one time and don't miss class.

### **Course Materials**

Class slides: Before each class, I will post pdf versions of PowerPoint slides on Blackboard. You may print these out and use them during class, but they are not intended as a comprehensive set of notes for the class. You will still be required to take notes to have a full accounting of the topics covered in class.

Calculator: You will need at least a scientific calculator capable of powers and logarithms. Financial calculators may be helpful but are not required. Please do not rely on smartphone apps for the simple reason that these will not be allowed during exams.

Textbook: Bodie, Kane and Marcus, *Essentials of Investments*, 9<sup>th</sup> edition. Since this is my first time teaching this course, you should consider the textbook to be your close friend. We will follow the textbook closely, and it will serve as the source for the problems that I assign in your homework. It is possible that we will not cover in class every topic that is covered by the text. But unless I specifically say otherwise, you should consider the material covered in the textbook, as listed below, as required material.

Other readings: From time to time, I may post articles from the Wall Street Journal, the Economist, or other sources on Blackboard to enhance our class discussion. These

### **Grading Policies**

Exams (Best 2 out of 3)	50%
Final Exam	25%
Homework	15%
Participation	10%

**There is no “extra credit” available in this course. Grades will not be “curved.”**

### **Grading Scale**

A	92.0 and above
A-	90.0 - 91.9
B+	87.0 - 89.9
B	82.0 - 86.9
B-	80.0 - 81.9
C+	77.0 - 79.9
C	72.0 - 76.9
C-	70.0 - 71.9
D+	67.0 - 69.9
D	62.0 - 66.9
D-	60.0 - 61.9
F	below 60.0

### **Course Requirements**

Exams: There will be 4 self-contained exams. The first 3 will take place during normal class time and the fourth will take place during the scheduled final exam period.

Exam 4 will start at the beginning of the final exam period, but will last only 90 minutes. No one will be admitted after the first 15 minutes. For the 2:00 to 3:15

course, the final exam is scheduled for Thursday, December 12 at 9:00am, and for the 3:30, to 4:45 course, the final exam is scheduled for Friday, December 13 from at 7:00pm.

**You must take Exam 4 during the scheduled final exam period. No early exams will be given.**

The exam score that comprises your final grade will be based on the best 2 out of 3 midterm exams. The final is not comprehensive, but all students are required to take it.

**There are no makeup exams in this course.**

Exams will be comprised of both multiple choice questions emphasizing mostly qualitative material and problems that require an understanding of the analytical methods we develop during the course. The homework problems that I assign are intended as practice for the latter, and

Homework: There will be four rather lengthy homeworks assigned during the semester. These are intended as practice for the problems that will appear on the exams. Homework will not be fully graded for content, but your grade will be affected if you give the impression that you did not take the problem seriously, if you turned in sloppy work. Please assure that all homework assignments that you turn in are completed neatly and professionally. Do not turn in unstapled pages, and do not turn in pages torn out of a spiral notebook, for example.

Participation: Attendance should be considered required for this course. However, I am not going to take attendance or formally enforce this requirement. If you establish a reputation as student that does not come to class, comes to class later or is otherwise disruptive, you will find yourself the subject of my public curiosity, and you could wind up with a 0 for participation in extreme cases. For example, if you come to class late or leave early, I may call you out in front of the class to find out your name and hear your explanation for what could possibly be more important than your future. At this stage of your education and career preparation, you should not need to be incentivized to attend classes. I reserve the right to change this policy mid-semester if I find that attendance is a problem.

### **Academic Dishonesty**

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program's Statement on Scholastic Dishonesty at <http://www.mcombs.utexas.edu/BBA/Code-of-Ethics.aspx>. By teaching this course, I have agreed to observe all faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all student responsibilities described in that document. If the

application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

### Religious Holidays

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

### Course Schedule

<i>Week</i>	<i>Topic</i>	<i>Chapter s in BKM</i>	<i>Special dates</i>
9/4	Introduction to Financial Markets and Analysis	1	
9/9	Asset Classes and Securities Markets	2 - 4	
9/16	Assessing the risk-return tradeoff and Efficient Diversification	5 - 6	
9/23	The Capital Asset Pricing Model and Arbitrage Pricing Theory	7	Homework 1, due 9/23 Exam 1, 9/25
9/30	The Efficient Markets Hypothesis, Behavioral Finance and Technical Analysis	8 - 9	
10/7	Bond Prices and Yields	10	
10/14	Managing Bond Portfolios	11	Homework 2, due 10/14 Exam 2, 10/16
10/21	Macroeconomic and Industry Analysis	12	
10/28	Valuation of Equity	13	
11/4	Financial Statement Analysis	14	
11/11	Options Markets	15	Homework 3, due 11/13 Exam 3, 11/13
11/18	Options Valuation	16	
11/25	Futures and Swaps	17	No class Wednesday, 11/27
12/2	Futures and Swaps, cont'd		Homework 4, Due 12/4

