Investment Management Course
FIN 367 - Fall 2012

Instructor: Vito Sciaraffia

Office: CBA 6.312 **Ph:** (512)232-6830 **Email:** vito.sciaraffia@mccombs.utexas.edu

Class meetings 03460: M & W from 2:00 pm to 3:30 pm in room UTC 3.132
Class meetings 03482: M & W from 3:30 pm to 5:00 pm in room UTC 3.132
Office Hours: Tu & W 10:30 am to 12:00 pm. Other times available by appointment.

Teaching Assistants:

Unique 03460: Kyle Van de Ven
Email: fin367.kyle@gmail.com
Office Hours: Thursday 3:30-4:30 pm

Unique 03482: Gahl Shalev
Email: fin367.gahl@gmail.com
Office Hours: Monday 11:00-12:00 pm

Prerequisites: Finance 367 is a restricted course for students who are currently enrolled in a major program in the College of Business Administration. Prior completion of Finance 357 or 357 H and credit or registration for Statistics 371G, 371H, 375, or 375H is required.

Textbook: Investments by Bodie, Kane and Marcus is the required textbook for this course. ISBN-10: 0073530700, Publication Date: 09/17/2010, Edition: 9th.

Lecture notes: Will be posted weekly in the UT Blackboard system.

Course Description:
This course will provide a basis for making investment decisions and it is intended for students who want to become investment professionals and/or knowledgeable individual investors. The course will cover basic investment concepts, portfolio theory and asset pricing, security valuation, market efficiency, behavioral finance, and options and futures. Through classroom discussions, problem solving, and real world applications of class concepts, by the end of the course, students should be able to read and understand financial news and have a better grasp of the world of trading and investments. The ultimate goal of this class is to give students the ability to understand, analyze, and reach their own conclusions about different financial events.

About the Instructor:
Dr. Sciaraffia holds a PhD in Business Administration from the Haas School of Business and a MA in Mathematics from the Department of Mathematics, both from the University of California at Berkeley. He also holds a MBA, a MS in Business, a Masters in Finance, and several other professional certifications in finance and statistics. Currently, his research focuses on the behavior of financial analysts, mutual fund managers, and hedge funds. In the industry, he has worked for JP Morgan in their market risk group, and on the corporate finance team at Citigroup. In addition, he has consulted for several international companies, NGO, and governments.

Assignments:

The course will have bi-weekly homeworks, five 10-15 minute quizzes, two 80-minute exams, one 2-3 page mid-semester essay, one 5-6 page final project, and a final cumulative examination. The specific dates for theses assignments appear in the course calendar section of this syllabus.

Homework: There will be bi-weekly homework assignments, mostly consisting of exercises based on the material covered in class. These homework assignments will be distributed and submitted in class. Students may work in groups, but the names of all collaborators must be explicitly stated in the assignment, and all responses must be submitted individually. These assignments will be given a grade of zero or one based on completion.

Quizzes There will be five quizzes during the semester, which will be taken during the first 15 minutes of class on the quiz days indicated on the calendar section of this syllabus. Quizzes will have four questions and will be graded out of four points. Only the best four quizzes out of the total five will be taken into consideration when calculating the final grade. The latter will allow students to miss one quiz without any penalty. However, if you miss two quizzes or more, you will get zero points for the additional absences. Please note that every quiz will have three questions based on previous classes and one question based on a that day's class. This will encourage students to go over the material before class on quiz days. I highly recommend making a habit of always reviewing the material before class.

Exams: Exams are an important part of the learning process.They allow students to put their knowledge to the test and assess their performance relative to their peers. Exams will cover lecture notes, required readings, and classroom discussions. All exams are closed-book but students are allowed to bring one sheet of paper with notes and/or formulas. I expect all students to show up to to the exams and prepare accordingly. Exams will have three sections: I) multiple choice questions (30 points), II) exercises (50 points), and III) short essay (20 points). Exams will be graded out of 100 points. There will be one bonus question worth 5 points at the end of every exam. This question will be based on current events and will not award partial credit (i.e. 0 or 5 points). Please note that the final exam will be comprehensive and will include all the semester's material. The final exam will be held on the date noted in the UT master schedule. Exams may only be viewed in class on the day they are distributed or in office hours. Exams will be available for one entire semester in the case that a student wishes to view it. Exams may not be copied or photographed by any means.

Essay: One 2-3 page, 1 inch margins all around, double spaced, font size 12 Times New Roman. Exhibits must be placed in an appendix at the end of the paper and do not count against the page requirement. The essay will be graded on a 1 to 5 scale. If you do not follow the format instructions of the essay, 1 point per formatting issue will be taken off your total score. The essay will consist of your discussion of one current event, chosen from a list of topics that will be provided during the third week of class. If a student has a specific interest and would like to propose a topic of his/her own, he/she may contact the professor or the TA.

Project: One 5-6 page paper, 1 inch margins all around, double spaced, font size 12 Times New Roman. Exhibits must be placed in an appendix at the end of the paper and do not count against the page requirement. The essay will be graded on a 1 to 10 scale. If you do not follow the format instructions of the essay, 1 point will be taken out from your total score for every formatting issue.

For this project, we will be using Stock-Trak, which is a comprehensive virtual stock exchange simulator that allows its users to practice online stock trading with all major securities. The purpose of this assignment is to give you a greater understanding of portfolio management and to allow you to test yourself in the real world on the knowledge you gain in this class. You will learn about a variety of financial instruments and how the trade-off between risk and reward works in the real world.

We will repeat this exercise twice throughout the semester, each time for a five week period, with a one-week break in the middle that will serve as an opportunity to evaluate your strategy and start over. Your paper at the end must reflect your performance and self-evaluation of both periods. The first period will start on the third week of the semester (on September 17).

You will be entrusted with $1,000,000. Your goal will be to invest this money wisely and profitably over the last eight weeks of the semester. You are to write a paper about your experience with Stock-Track. Analyze your performance, your strategy, your thought process, what you learned from it, etc. This assignment should be a rich learning experience as well as a competition.

While grading will not be based solely on the success of your portfolio, but rather on the quality of your decisions and on the use of class concepts, the top three students with the highest returns from each class section at the end of the eight-week period will be given extra credit for their achievement.

This assignment will be worth 10% of your final grade. Remember to be professional in your writing. Incorporate concepts and material discussed in lecture.

An additional handout with details about the rules and goals will be provided as the start date of the assignment approaches.

Class Participation: Class participation will be taken very seriously. Merely showing to class is not enough; Students are expected to actively participate in class discussion. Class participation will be graded from zero to ten points.

Midterm Teaching Evaluation: The seventh week of class an anonymous teaching evaluation will be conducted to get your feedback on how this course is going. I expect to get valuable comments on how to improve the learning experience.

Grading

Exam 1 (15%)
Exam 2 (15%)
Final Exam (25%)
Homework (4%)
Quizzes (16%)
Essay (5%)
Project (10%)
Class participation (10%)

Bonus:
The top three performers, based on return, in the Stock-Trak competition will be granted extra credit of 5%, 4%, and 3% on their final grade, respectively. In order to receive this prize, the student will have to present a summary of his/her strategy and results to the class. This presentation should be ten minutes long and will be held during the last week of classes.

Alternative Participation Grade: I highly recommend attending class and participating. However, attendance in this class is not mandatory. Students who wish not to participate for any reason, or expect to miss multiple classes may do so, but please email me before then end of the second week of class (September 7). In this case, the 10% of the class participation grade will instead be equally distributed between exam 1 and exam 2 (i.e. each exam will be worth 5% more).

Curve:
I will use a curve at the end of the semester. The distribution will be as recommended by the school for core finance courses [1].

In this course, there will be no additional opportunities to do extra-credit work. Your grade will be determined solely by the components listed above.

[1] I reserve the right to change this distribution depending on the class's overall performance.

Preliminary Course Calendar:

Table 1: Assignments and BKM Required Readings

Class 1	Wednesday August 29	**Quiz 0**, Introduction.
	Monday September 3	LABOR DAY
Class 2	Wednesday September 5	Chapter 1
Class 3	Monday September 10	Chapters 2.1 - 2.3
Class 4	Wednesday September 12	**Quiz 1**, Chapter 2.4 and 2.5
Class 5	Monday September 17	**Stock Trak 1 Start**, Chapters 3.1 - 3.3
Class 6	Wednesday September 19	Chapters 4.1 - 4.4
Class 7	Monday September 24	Chapters 5.1 - 5.4 and 6.1 - 6-4
Class 8	Wednesday September 26	**Quiz 2**, Chapters 7.1 and 7.2
Class 9	Monday October 1	Chapter 8.1
Class 10	Wednesday October 3	Chapters 9.1 and 9.2
Class 11	Monday October 8	**Exam 1**
Class 12	Wednesday October 10	Chapters 10.2
Class 13	Monday October 15	Chapter 11.5
Class 14	Wednesday October 17	**Quiz 3**, **Stock Trak 1 End**, Chapter 12.1
Class 15	Monday October 22	Chapter 12.2
Class 16	Wednesday October 24	**Assignment 1 due**, **Stock Trak 2 Start**
Class 17	Monday October 29	Chapters 14.1 - 14.4
Class 18	Wednesday October 31	**Quiz 4**, Chapters 15.1 - 15.6
Class 19	Monday November 5	Chapters 16.1 - 16.2
Class 20	Wednesday November 7	Chapters 18.1 - 18.3
Class 21	Monday November 12	Chapters 18.4 and 18.5
Class 22	Wednesday November 14	No readings for this class
Class 23	Monday November 19	**Exam 2**
Class 24	Wednesday November 21	Chapters 20.1 - 20.5
Class 25	Monday November 26	Chapters 21.1 - 21.4
Class 26	Wednesday November 28	**Quiz 5**, **Stock Trak 2 End (11/30)**,Chapter 22.1 - 22.2
Class 27	Monday December 3	Chapter 23.4
Class 28	Wednesday December 5	**Assignment 2 due**

Complete reading list, including lecture notes and articles, will be available in the UT Blackboard system.

Students with Disabilities:
Any student with a documented disability who requires academic accommodations should contact Services for Students with Disabilities at 471-6259 (voice) or 1-866-329-3986 (Video Phone) as soon as possible to request an official letter outlining authorized accommodations. Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, http://www.utexas.edu/diversity/ddce/ssd/.

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.

Academic Dishonesty:
The University Honor Code states: *"The core values of the University of Texas at Austin are learning, discovery, freedom, leadership, individual opportunity, and responsibility. Each member of the University is expected to uphold these values through integrity, honesty, trust, fairness, and respect toward peers and community".* A fundamental principle for any educational institution, academic integrity is highly valued and seriously regarded at The University of Texas at Austin. More specifically, you and other students are expected to maintain absolute integrity and a high standard of individual honor in scholastic work undertaken at the University `http://deanofstudents.utexas.edu/sjs/acint_student.php`. At a minimum, you should complete any assignments, exams, and other scholastic endeavors with the utmost honesty, which requires you to:

- Acknowledge the contributions of other sources to your scholastic efforts
- Complete your assignments independently unless expressly authorized to seek or obtain assistance in preparing them
- Follow instructions for assignments and exams, and observe the standards of your academic discipline
- Avoid engaging in any form of academic dishonesty on behalf of yourself or another student

For the official policies on academic integrity and scholastic dishonesty, please refer to Chapter 11 of the Institutional Rules on Student Services and Activities `http://deanofstudents.utexas.edu/sjs/downloads/InstitutionalRules1112.pdf`.

The instructor of this class will not tolerate any kind of dishonesty. If there is evidence of such kind of inappropriate behavior, he will make sure that it is disciplined to the maximum extent possible.