

Syllabus  
FIN 367 “Investment Management”  
SUMMER 2013

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Lecturer: Miao (Ben) Zhang

Contact Information:

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Course Information:

location: UTC 1.102  
time: MoTuWeTh 8:00am - 10:00am

## 1 Course Objective

This course builds upon FIN357, Business Finance. FIN367, *Investment Management*, provides a basis for making investment decisions. Students who are interested in pursuing a career in investment profession, or in managing personal investments are likely to benefit most from this course. The course will focus on the fundamental principles of risk and return, diversification, asset allocation, market efficiency, and valuation of various securities such as stocks, bonds and options. Students graduating from this course is expected to understand the basic investment vehicles well, and apply basic investment theories in trading decision-making.

## 2 Course Resources

- Textbook: Bodie, Kane, and Marcus, *Essentials of Investments*, McGraw-Hill. The latest version is the ninth edition. Editors tend to ‘update’ their textbooks every year. In my view, this is somewhat unnecessary. Any one of the last few editions should be sufficient. If you use an older version, you will be responsible to compare it to the latest edition and make sure that all material covered is included.
- Blackboard: Students are all expected to have access to Blackboard. I will post lecture notes before each class on the Blackboard. Homework assignments, solutions, mock exams and other materials will be posted as well. I recommend all students check Blackboard in daily basis.

## 3 Class Requirements

- I expect students to abide by the [UT Honor Code](#). Academic dishonesty will not be tolerated and will be immediately referred to the Student Judicial Services (In other words, any academic dishonesty case will be dealt with “[Option A](#)”). For details about UT’s standard of conduct, please follow this [link](#).
- Consistent with the policy of the Department of Finance, the use of computers and other electronic devices in class is generally prohibited.
- By university policy on religious holidays, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious day. If you must miss an examination in order to observe a religious holiday, you will be given the opportunity to complete the missed work within a reasonable time after absence.

## 4 Students with Disabilities

The Provost Office offers the following statement to help inform students of available resources and to fulfill due diligence for Americans With Disabilities Act (ADA):

*The University of Texas at Austin provides upon request appropriate academic*

*accommodations for qualified students with disabilities.* For more information, contact the [Office of the Dean of Students](#).

## 5 Grading

You can collect up to 100 points in this course as follows:

- Mid-term Exam (30 points).
- Final Exam (40 points).
- Assignments (20 points).
- Attendance (10 points).

### 5.1 Exams

- The tests will involve a combination of questions designed to assess your problem-solving, analytical and interpretative (i.e., essay) skills.
- All exams will be closed-book, closed-note, electronic-free (except for calculator). You will need to bring to each exam the following items: writing instruments and financial calculator.
- It is expected that you will be present at the time and date for each of the examinations. No makeup examinations will be given without the prior consent of the instructor. Such consent will only be given for demonstrable conflicts and with the proper documentation.

### 5.2 Assignments

There will be two sets of assignments for each week (except for the first week), which will be given for each Wednesday and due on the next Monday (i.e. 7 days to finish the assignments). Late submission will NOT be graded.

- On-line homework: I will use the Quest & Learning Assess system (to be assured) to provide on-line questions for each week. These questions will be multiple choices or essays, so no mathematical derivation will be needed.

- **Written homework:** The questions for the written homework will be mostly about mathematical derivation. You will be evaluated based on the correctly answering the question, and logical mathematical derivation (e.g. the derivation counts). You are encouraged to discuss about the problems in groups. The homework you hand in should, however, be in your own words and in your own handwriting.

### 5.3 Attendance

Students are expected to attend each of the classes. There are 10 attendance points. Students who are absent to the class for more than 3 times will lose the 10 points (e.g. “all or nothing”).

### 5.4 Final Grade

The final grade of the course is based on the number of points collected as follows:

| +/- | A       | B       | C       | D       | F    |
|-----|---------|---------|---------|---------|------|
| +   |         | 87-89.9 | 77-79.9 | 67-69.9 |      |
|     | 92-100  | 82-86.9 | 72-76.9 | 62-66.9 | < 60 |
| -   | 90-91.9 | 80-81.9 | 70-71.9 | 60-61.9 |      |

## Suggested Readings

1. Elements of an investment policy statement for individual investors. *CFA Institute*.
2. Elements of an investment policy statement for institutional investors. *CFA Institute*.
3. Byrnes, N. (2010, dec). Are you a stock or a bond? *Reuters Money*.
4. Fuller, R. J. (1998). Behavioral finance and the sources of alpha. *Journal of Pension Plan Investing* 2 (3), 291-293.
5. Sharpe, W. (1994). The sharpe ratio. *Journal of Portfolio Management*, 49-58.

Semester Schedule for FIN 367, Summer 2013  
(subject to adjustments)

| Meeting | Dates     | Topic                                 | References                   | Events    |
|---------|-----------|---------------------------------------|------------------------------|-----------|
| 1       | Jun 6     | Introduction                          | Ch 1                         |           |
| 2       | Jun 10    | Asset Classes & Financial Instruments | Ch 2                         |           |
| 3       | Jun 11    | Securities Markets and Trading        | Ch 3                         |           |
| 4       | Jun 12    | Modeling Uncertainty                  | Ch 5.1 - 5.2                 | HW1 Ready |
| 5       | Jun 13    | Risk and Return                       | Ch 5.3 - 5.5                 |           |
| 6       | Jun 17    | Diversification & Asset Allocation    | Ch 6.1 - 6.4                 | HW1 Due   |
| 7       | Jun 18    | More on Asset Allocation              | Ch 6.5, 7.1,                 |           |
| 8       | Jun 19    | Capital Asset Pricing Model           | Ch 7.3 - 7.5                 | HW2 Ready |
| 9       | Jun 20    | The Efficient Market Hypothesis       | Ch 8                         |           |
| 10      | Jun 24    | Behavioral Finance & Midterm Review   | Ch.9.1                       | HW2 Due   |
| 11      | Jun 25    | Midterm Exam (In class)               |                              | Midterm   |
| 12      | Jun 26    | Equity Valuation                      | Ch 13                        | HW3 Ready |
| 13      | Jun 27    | Bond Valuation I                      | Ch 10                        |           |
| 14      | Jul 1     | Bond Valuation II                     | Ch 11                        | HW3 Due   |
| 15      | Jul 2     | Introduction to Options and Futures   | Ch 15.1, 17.1,<br>17.2, 17.5 |           |
| 16      | Jul 3     | Options and Futures Strategies        | Ch 15.2, 15.3,<br>17.3, 17.4 | HW4 Ready |
| 17      | Jul 4     | Independence Day, No Class!           | Ch 4                         |           |
| 18      | Jul 8     | Mutual Funds & Hedge Funds            | Ch 18                        | HW4 Due   |
| 19      | Jul 9     | Performance Evaluation                |                              |           |
| 20      | Jul 10    |                                       |                              |           |
| 21      | Jul 11    | Final Review                          |                              |           |
| 22      | Jul 12-13 | Final Exam                            |                              | Final     |