



FIN 367

Investment Management

SPRING SEMESTER, 2011

Professor	Umit G. Gurun, Assistant Professor of Finance
Office	CBA 6.230, umit.gurun@mcombs.utexas.edu
Office Hours	Mon 2:00-3:00, Wed 2:00-3:00, and stop by if available.
Communication	Please use email address above to make an appointment for an office visit. Please do <u>not</u> use email in Blackboard for communication purposes. So that I can be better prepared for your visit, please give me a general idea of the topic you'd like to discuss. I typically schedule 15 minute appointments; if you believe you will require more time, request a longer appointment. I'm happy to respond by email, but please keep the emails short. Long philosophical discussions and questions like "what do you think of issue X?" are best handled in person. I will post weekly announcements to Blackboard on Thursdays. These announcements will include the plan for the following week.
Course Web Page	via Blackboard
Teaching Assistants	will be announced later on Blackboard.

Class Meetings

- Section 1 (02975): Monday and Wednesday, 8:00 AM – 9:15 AM. UTC 1.104
- Section 2 (02990): Monday and Wednesday, 9:30 AM – 10:45 AM. UTC 1.104
- Section 3 (03000): Monday and Wednesday, 11:00 AM – 12:30 PM. CBA 4326

Course Objectives

The goal of this course is to expose you to the fundamental concepts of investment theory and financial markets. This will include an introduction to portfolio theory, asset pricing and the analytical tools of portfolio management. In addition, selected topics from the upcoming field of behavioral finance will be discussed throughout the course.

Materials

Zvi Bodie, Alex Kane, and Alan Marcus (BKM), Investments, 9th Edition, McGraw Hill.

Student Solutions Manual to accompany Investments, McGraw Hill.

Note: It is perfectly fine if you use previous version (version 8) of the text book.

Course Requirements and Grading

Examinations: You will receive a grade based on several pop quizzes, two midterms and a final exam. Midterms will be held during regular class hours. No make-up exams will be given.

• Grading Policy:

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|--------------|--|--------|
| - Midterm 1 | (3/7/2011) | : 25 % |
| - Midterm 2 | (5/2/2011) | : 25 % |
| - Final Exam | (During Finals Week, exact time will be announced later) | : 40 % |

- Pop Quizzes : 10 % : I will give several pop quizzes during the semester. The objective of these quizzes to ensure that you follow the class discussion. If I give X quizzes, each quiz will contribute $10/(X-1)$ % to your final grade. I will drop the lowest quiz score. I will not give any make up quizzes
- **Extra credits: None – no exceptions.**

- Grade Distribution: About 35-40% A, 50% B, and 10% C.
- Although grading is relative, you should get an A if you score above 90%. 80% and above should ensure a B grade.

Other Notes

- Class Notes and a study plan (suggested readings for before/after class) will be posted on the course web site (UT Blackboard) prior to the lecture date. Hard copies of the notes will not be provided in the class. Please note that you are responsible for all material presented in class. Suggested problems from the text will be assigned but they will not be graded. Please use the solutions manual to check your answers.
- Below is a **tentative list** of topics that I plan to cover during the semester. I may add or delete topics from this list as the semester progresses. I will provide an updated list on Blackboard when I make changes. You are responsible for any changes I announce in the class.

Tentative Course Schedule

1. Basic Investment Concepts: 4 lectures (Suggested Readings: BKM, Chapters 1-4)

- Introduction ; Types of Securities and Securities Trading ; IPOs, Mutual Funds

2. Portfolio Theory and Asset Pricing: 9 lectures (Suggested Readings: BKM, Chapters 5-7, 25, 8-10)

- Modeling Uncertainty ; Portfolio Theory ; Asset Pricing: CAPM and APT

3. Security Valuation, Market Efficiency, and Behavioral Finance: 9 lectures

- Performance Evaluation and Market Timing: (Suggested Readings: BKM, Chapter 24, 1)
- Security Valuation: (Suggested Readings: BKM, Chapter 18)
- Bond Pricing: (Suggested Readings: BKM, Chapters 14-16)
- Efficient Market Hypothesis: (Suggested Readings: BKM, Chapter 11)
- Behavioral Finance: (Suggested Readings: BKM, Chapter 12)

4. Options and Futures: 5 lectures (Suggested Readings: BKM, Chapters 20-22)

- Binomial Model; Black-Scholes Model

McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the program's experience hinges on this. Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

The Texas classroom experience is enhanced when:

- **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- **Students display their name cards.** This permits fellow students and faculty to learn names, enhancing opportunities for community building and evaluation of in-class contributions.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited.
- **Students are fully prepared for each class.** Much of the learning takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- **Students attend the class section to which they are registered.** Learning is enhanced when class sizes are optimized. Limits are set to ensure a quality experience. When section hopping takes place some classes become too large and it becomes difficult to contribute. When they are too small, the breadth of experience and opinion suffers.
- **Laptops are closed and put away.** When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged.
- **Phones and wireless devices are turned off.** We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

Course Policy

Fairness to Students: I strive to treat students with dignity and fairness. This does not mean that I will agree with your ideas. If you feel that I have been unfair in any way, please let me know.

Grading: There are **no verbal appeals** of grade changes. You should submit a **written** statement explaining the problem within one week of receiving your grade and we will be happy to re-grade any exam or assignment. The entire exam or case will be re-graded and the score may increase, remain the same, or decrease.

Academic Dishonesty

I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the degree and demean the honest efforts of the majority of students. Any student engaging in any form of academic dishonesty will be dealt with in the most serious manner. These acts include but are not limited to: lying, cheating, stealing (e.g., answers), multiple submissions, plagiarism (including, improper attribution of sources), unauthorized cooperation, and misrepresentation of facts. Any individual assignment should be completed individually without help from others. Group *preparation* for examinations is acceptable and encouraged.

Students with Disabilities

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the [Student Services Building](#). [Information on how to register](#), [downloadable forms](#), including [guidelines for documentation](#), accommodation request letters, and releases of information are available online at <http://deanofstudents.utexas.edu/ssd/index.php>. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via [e-mail](#) if you have any questions.

Appendix: Excerpts Directly from the University of Texas at Austin Office of the Dean of Students website
(http://deanofstudents.utexas.edu/sjs/acint_student.php)

“The Standard of Academic Integrity

A fundamental principle for any educational institution, academic integrity is highly valued and seriously regarded at The University of Texas at Austin, as emphasized in the standards of conduct. 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 ([Sec. 11-801](#), *Institutional Rules on Student Services and Activities*). This is a very basic expectation that is further reinforced by the University's [Honor Code](#). 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; and
- 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*.

What is Scholastic Dishonesty?

In promoting a high standard of academic integrity, the University broadly defines scholastic dishonesty—basically, all conduct that violates this standard, including *any act designed to give an unfair or undeserved academic advantage*, such as:

- Cheating
- Plagiarism
- Unauthorized Collaboration
- Collusion
- Falsifying Academic Records
- Misrepresenting Facts (e.g., providing false information to postpone an exam, obtain an extended deadline for an assignment, or even gain an unearned financial benefit)
- Any other acts (or attempted acts) that violate the basic standard of academic integrity (e.g., multiple submissions—submitting essentially the same written assignment for two courses without authorization to do so)

Several types of scholastic dishonesty—[unauthorized collaboration](#), [plagiarism](#), and [multiple submissions](#)—are discussed in more detail on this Web site to correct common misperceptions about these particular offenses and suggest ways to avoid committing them.

For the University's official definition of scholastic dishonesty, see [Section 11-802](#), *Institutional Rules on Student Services and Activities*.