

## Finance 367: Investment Management (Unique # 03725)

Fall 2014

**Instructor:** Ian McAbeer, CFA  
**Office Location:** GSB 6.210  
**Office Hours:** Tuesday & Thursday 2:30pm – 3:15pm  
**Class Location:** CBA 4.328  
**Class Hours:** Tuesday & Thursday 3:30pm – 5:00pm  
**Email:** [ian.mcabeer@mcombs.utexas.edu](mailto:ian.mcabeer@mcombs.utexas.edu)  
**Course Web Page:** via Canvas

**Course Objective:** To be a successful investor, an individual must possess a wide range of knowledge and analytical capability with respect to financial markets, economics, security analysis, and quantitative skills and to develop a broad conceptual framework for evaluating individual investments and strategies. In addition to understanding how to evaluate individual securities, a successful investor must also understand how to construct and manage portfolios of securities pursuant to certain risk and return criteria. This course is designed to provide students with a solid conceptual and analytical basis for evaluating individual investment securities and managing portfolios of financial assets. The primary objective is to develop a thorough understanding of the mathematical and theoretical principles of investment analysis and portfolio management, but to do so with a practical orientation. As such, this course is ideal for any student contemplating a career as a professional investment advisor, portfolio manager, or security analyst.

**Prerequisite:** Finance 367 is a Restricted Course for students who are currently enrolled in a major program in the College of Business Administration. Note that several prerequisites apply for this course and are published in the Course Schedule. Prior completion of Finance 357 or Finance 357 H and its prerequisites are among these requirements. It will be assumed that students enrolled in this course are equipped with all of the accounting, economics, mathematics, and statistics tools that have been part of their prior course work.

### Required Materials:

**Textbook:** Investments, 10<sup>th</sup> Edition, by Bodie, Kane, & Marcus through McGraw-Hill Education.

1. You may purchase a digital copy through the McGraw-Hill website, with the option to add a paper copy: <http://connect.mheducation.com/connect/shortUrl.do?accessUrl=i-mcabeer-fall-2014-tue-thu-330-pm>
2. You may purchase a paper copy (new, used, or loose leaf) through the UT Co-op.

**Supplementary Readings & Media:** In addition to the reading assignments from the textbook, there will also be a significant amount of supplementary study that will be required throughout the course. These supplemental study materials may be in the form of journal articles, media articles, newsletters from investment professionals, or video-based interviews or news stories. Links or files for these supplementary materials will be made available through Canvas.

**Calculator:** You will need a business calculator for this class. The calculator should have the following keys: IRR, n, i, PV, PMT, FV, and CF. As long as those keys are present, the calculator is fine. If you may consider taking the CFA exam in the future, I recommend the HP 12c (this calculator is the finance industry standard and one of only two calculators that may be used on the CFA exam). The other calculator which is permissible for the CFA exam is the Texas Instruments BA II Plus. You should bring a financial calculator to every one of our class meetings.

**Grading Policies:** Your final grade for this course will be calculated from the following sources:

Examination #1	20%
Examination #2	25%
Examination #3	25%
Examination #4 (Final)	30%

Homework: Most classes will have homework assignments consisting of the problems at the end of the chapters from the textbook. These assignments will not be collected or graded. However, I strongly encourage you to do all of the problems and be sure that you understand them. If you don't do these homework problems you will find the exams to be very difficult. Furthermore, I would encourage you to work on the homework assignments by yourself. If you work in groups you may benefit from the collective input of others but may not fully learn the material. Whether you choose to work by yourself or with colleagues, please ensure that you understand how to solve the problems and answer the questions on your own.

Examinations: The four examinations given during the semester will carry the aforementioned weights toward your final grade. These exams will involve a combination of questions designed to assess your analytical and interpretative (i.e., qualitative) skills. Each examination will be designed to include problem-solving, short-answer, and multiple choice questions, which will be comparable to the problems and questions that you will see in class and throughout your homework assignments. Each test will be closed-book, closed-note. You will need to bring the following items to each exam: writing instruments, financial calculator, and picture ID card. You will not be allowed to use laptop computers or any other electronic devices during the examinations.

The examinations will test all of the material that is covered in class. The quantitative test problems will be modeled after (but not be identical to) the assigned end-of-chapter problems and other numerical examples that are demonstrated during the relevant class sessions. Finally, please note that students will not be allowed to keep their graded examinations, but will have ample opportunity to review their performance during office hours. Note that the final exam will be cumulative and will cover all of the material taught during the entire course.

**Final Course Grades:** At the end of the semester, the raw number of points that you earned on each exam will be weighted by the percentages listed above. The weighted total scores for all students will be combined to determine a final distribution. The following percentile ranges will be applied to this distribution of final scores to determine your final course grade:

<b>A</b>	<b>92.0 and Above</b>
<b>A-</b>	<b>90.00 - 91.99</b>
<b>B+</b>	<b>87.00 - 89.99</b>
<b>B</b>	<b>82.00 - 86.99</b>
<b>B-</b>	<b>80.00 - 81.99</b>
<b>C+</b>	<b>77.00 - 79.99</b>
<b>C</b>	<b>72.00 - 76.99</b>
<b>C-</b>	<b>70.00 - 71.99</b>
<b>D+</b>	<b>67.00 - 69.99</b>
<b>D</b>	<b>62.00 - 66.99</b>
<b>D-</b>	<b>60.00 - 61.99</b>
<b>F</b>	<b>Below 60.0</b>

**Curved Grade Scale:** For all students, the raw weighted average score they accumulate over the semester will be adjusted upwards by curving the final distribution of eligible students. All students will benefit from the curve. There is no forced grade distribution.

**KEY DATES:** PLEASE MAKE NOTE OF THE FOLLOWING EXAMINATION DATES. MAKE-UP EXAMINATIONS WILL NOT BE OFFERED (EXCEPT FOR DOCUMENTED ILLNESS OR UNIVERSITY APPROVED ABSENCES). IF YOU CAN'T MAKE THE EXAMINATION DATES, PLEASE DO NOT TAKE THIS CLASS.

**Exam #1** – September 23<sup>rd</sup>, 2014

**Exam #2** – October 21<sup>st</sup>, 2014

**Exam #3** – November 18<sup>th</sup>, 2014

**Final Exam** – Per University Schedule

**Attendance Policy:** I expect you to attend class, to be on time and to be prepared. I believe consistent attendance to be a crucial element in maximizing your potential for learning how to be a successful investor. However, I recognize that numerous issues can arise during a semester (e.g., illness) which may lead to absences and therefore I will not take formal attendance during class.

**How to Succeed in this Class:** Successfully completing this course will require a considerable amount of work and preparation. I strongly encourage you to keep up with the class work and homework assignments. You will have a very difficult time succeeding in this class if you try to cram before each examination. Here are my recommendations for how you should prepare for each class period as well as each examination.

Before Each Class:

1. Read the textbook material that is assigned for that class.
2. Read the homework questions for this class – do not attempt to answer them but just be aware of what the questions are.
3. Review the supplemental material assigned for the class – this may be reading a newsletter, watching a video, listening to an interview, or otherwise. We will discuss these materials and the key points in class so you need to come prepared.
4. Print a copy of the notes/slides in whatever format you wish and bring them to class

During Class:

5. Attend Class! Be on time and be prepared to take notes and ask questions.
6. Take detailed notes of the discussion regarding the supplemental materials. There will typically be two or three key points that I will discuss for each supplemental video or reading assignment. This material will be covered on the tests. If you don't attend class and participate in this discussion you will be unable to answer these questions on the exams.

After Class:

7. Do all of the homework problems that are assigned and begin preparations for the next class.
8. Be prepared to discuss the homework problems in the following class or during office hours and ensure that you understand the problems and that you are able to keep up.

**Academic Dishonesty:** Academic dishonesty (as defined by the Policy Statement on Scholastic Dishonesty for the McCombs School of Business) will not be tolerated and will be dealt with in the most severe manner possible. I assume that all students in this course will act as if bound by this policy and you can expect the same from me. In particular, I will expect that on every individual assignment or examination the work you submit will be entirely your own. Failure to do so may result in failure in the course.

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 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.

**Prohibition against Using Electronic Devices in the Classroom:** Consistent with the policy of the Department of Finance, the use of computers and other electronic devices in class is prohibited. Please note that accessing the internet, recreational programs, or e-mail and messaging accounts will never be permitted under any circumstances and is strictly forbidden. Failure to observe this policy will be considered to be the equivalent of an absence from the particular class and repeated transgressions could result in being dropped from the course.

**Students With Disabilities:** The Provost's Office offers the following statement to help inform students of available resources and to fulfill due diligence for Americans With Disabilities Act (ADA): 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/>.

**Campus Safety:** The University has requested that all students be made aware of the following information regarding campus safety: Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety/>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform their instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: [www.utexas.edu/emergency](http://www.utexas.edu/emergency).

# COURSE OUTLINE

Class #	Date	Subject
1	Thursday, August 28, 2014	Intro to Investments
2	Tuesday, September 02, 2014	Intro to Investments
3	Thursday, September 04, 2014	Portfolio Theory & Asset Pricing Models
4	Tuesday, September 09, 2014	Portfolio Theory & Asset Pricing Models
5	Thursday, September 11, 2014	Portfolio Theory & Asset Pricing Models
6	Tuesday, September 16, 2014	Portfolio Theory & Asset Pricing Models
7	Thursday, September 18, 2014	Equities
<b>8</b>	<b>Tuesday, September 23, 2014</b>	<b>EXAM #1 (Covering Classes #1 - #7)</b>
9	Thursday, September 25, 2014	Equities
10	Tuesday, September 30, 2014	Equities
11	Thursday, October 02, 2014	Equities
12	Tuesday, October 07, 2014	Equities
13	Thursday, October 09, 2014	Equities
14	Tuesday, October 14, 2014	Fixed Income
15	Thursday, October 16, 2014	Fixed Income
<b>16</b>	<b>Tuesday, October 21, 2014</b>	<b>EXAM #2 (Covering Classes #9 - #15)</b>
17	Thursday, October 23, 2014	Fixed Income
18	Tuesday, October 28, 2014	Fixed Income
19	Thursday, October 30, 2014	Fixed Income
20	Tuesday, November 04, 2014	Derivatives
21	Thursday, November 06, 2014	Derivatives
22	Tuesday, November 11, 2014	Derivatives
<b>23</b>	<b>Thursday, November 13, 2014</b>	<b>No Class</b>
<b>24</b>	<b>Tuesday, November 18, 2014</b>	<b>EXAM #3 (Covering Classes #17 - 22)</b>
25	Thursday, November 20, 2014	Portfolio Management
26	Tuesday, November 25, 2014	Portfolio Management
<b>27</b>	<b>Thursday, November 27, 2014</b>	<b>No Class - Thanksgiving Holiday</b>
28	Tuesday, December 02, 2014	Portfolio Management
29	Thursday, December 04, 2014	Portfolio Management
<b>Final</b>	<b>TBD: Per University Schedule</b>	<b>FINAL EXAM (Comprehensive)</b>