

## Finance 367: Investment Management (Unique # 03775)

Fall 2015

<b>Instructor:</b>	Ian McAbeer, CFA
<b>Office Location:</b>	GSB 6.210
<b>Office Hours:</b>	By Appointment
<b>Class Location:</b>	CBA 4.328
<b>Class Hours</b>	Monday & Wednesday 2:00 – 3:30pm
<b>Email:</b>	<a href="mailto:ian.mcabeer@mcombs.utexas.edu">ian.mcabeer@mcombs.utexas.edu</a>
<b>Course Web Page:</b>	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 security analysis, but to do so with a practitioner 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:** Investment Analysis & Portfolio Management, 10<sup>th</sup> Edition, by Reilly & Brown

**ISBN-10:** 0-538-48238-9, **ISBN-13:** 978-0-538-48238-7

There are numerous options that you may use to acquire the textbook including the following:

1. Purchase new or used from the University Co-op
2. Purchase or rent a digital e-book through [www.CengageBrain.com](http://www.CengageBrain.com)
3. Purchase or rent various formats through [www.Amazon.com](http://www.Amazon.com)

**Supplementary Readings & Media:** In addition to the reading assignments from the textbook, there will also be 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 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. If you are planning to take the CFA exam in the future, I recommend that you use the HP 12c calculator (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	25%
Examination #2	30%
Examination #3 (Final)	30%
Assignments	15%

**Examinations (85%):** The three examinations given during the semester will carry the aforementioned weights toward your final course grade. These exams will be given in class and will be closed-book, closed-note. The exams will involve a combination of questions designed to assess both your analytical (quantitative) as well as your interpretative (qualitative) skills. **You will need to bring the following items to each exam: #2 pencils or equivalent 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 quantitative test problems will be modeled after the ungraded homework problems as well as other numerical examples that are demonstrated during the class sessions. Finally, you will not be allowed to keep your graded examinations, but will have ample opportunity to review them during office hours within 2 weeks (14 days) from the date of the exam. Once this period of time has passed, exams will no longer be available for review. **Note that the final exam (Exam #3) will be non-cumulative and it will be given during the university's allotted date and time for the final exams.**

**Assignments (15%):** There will be periodic assignments that will be due during the course which will be collected and graded. You are required to perform and submit your own work individually for these assignments - there will be no group assignments. For each assignment there will be a worksheet that will need to be printed and turned in for you to receive credit. Copying another student's work and submitting it as your own will be considered an act of academic dishonesty. **Please note that you must be physically present in class in order to submit your assignment for a grade!** I will not accept assignments that are turned in late or emailed to me at any time.

**Homework:** Most classes will have ungraded homework consisting of both questions from the textbook as well as problems that I have written myself. These homework problems will not be collected or graded. The solution to each problem or question will be provided for your benefit. However, I strongly encourage you to do all of the problems before looking at the solution to 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 problems 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.

**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, but I will not take formal attendance in class because I consider students in this class to be sufficiently mature and accomplished to manage their own time.

**Final Course Grades:** At the end of the semester, the raw number of points that each student earns on each of the examinations and assignments will be weighted according by the percentages listed above to determine each student's total point score for the course. The total point score accumulated over the semester will be adjusted upwards by curving each students score to the final course grade. All students will benefit from the curve – there is not forced grade distribution for this class. The following percentile ranges will be applied to the final curved scores to determine each student's 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>

**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 LISTED BELOW, PLEASE DO NOT TAKE THIS CLASS.

**Exam #1** – September 28<sup>th</sup>, 2015

**Exam #2** – November 2<sup>nd</sup>, 2015

**Exam #3** – Final Exam (date & time per university schedule)

**Prohibition against Using Electronic Devices in the Classroom:** The Department of Finance at the McCombs School of Business has a policy against the use of electronic devices in class, but it is my discretion as to whether or not I will enforce the policy. I would encourage students to use technology in the classroom in order to take notes and follow along with the slide presentation only, but not to use such technology for accessing the internet, recreational programs, or e-mail and messaging accounts is disrespectful to other students and to myself and is therefore not permitted.

**Students with Disabilities:** 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 Holy Days:** 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.

**Policy on Scholastic 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.

**Campus Safety:** Please note the following recommendations regarding emergency evacuation, provided by 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 the 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: <http://www.utexas.edu/emergency>.

# COURSE OUTLINE

<b>Class #</b>	<b>Date</b>	<b>Subject</b>
1	Wednesday, August 26, 2015	Intro to Investments
2	Monday, August 31, 2015	Intro to Investments
3	Wednesday, September 02, 2015	Portfolio Theory & Asset Pricing Models
4	Monday, September 07, 2015	NO CLASS: Labor Day
5	Wednesday, September 09, 2015	Portfolio Theory & Asset Pricing Models
6	Monday, September 14, 2015	Portfolio Theory & Asset Pricing Models
7	Wednesday, September 16, 2015	Portfolio Theory & Asset Pricing Models
8	Monday, September 21, 2015	Applied Risk Management
9	Wednesday, September 23, 2015	Economics
<b>10</b>	<b>Monday, September 28, 2015</b>	<b>EXAM #1</b>
11	Wednesday, September 30, 2015	Fixed Income
12	Monday, October 05, 2015	Fixed Income
13	Wednesday, October 07, 2015	Fixed Income
14	Monday, October 12, 2015	Fixed Income
15	Wednesday, October 14, 2015	Fixed Income
16	Monday, October 19, 2015	Equities
17	Wednesday, October 21, 2015	Equities
18	Monday, October 26, 2015	Equities
19	Wednesday, October 28, 2015	Equities
<b>20</b>	<b>Monday, November 02, 2015</b>	<b>EXAM #2</b>
21	Wednesday, November 04, 2015	Equities
22	Monday, November 09, 2015	Equities
23	Wednesday, November 11, 2015	Derivatives
24	Monday, November 16, 2015	Derivatives
25	Wednesday, November 18, 2015	Derivatives
26	Monday, November 23, 2015	Derivatives
27	Wednesday, November 25, 2015	NO CLASS
28	Monday, November 30, 2015	Derivatives
29	Wednesday, December 02, 2015	Derivatives
<b>Final</b>	<b>TBD: Per University Schedule</b>	<b>EXAM #3 (Final Exam - NOT Comprehensive)</b>