



INVESTMENT MANAGEMENT

FINANCE 367

SPRING SEMESTER, 2014

Professor

Hao Jiang

Office

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Office Hours

Wednesday 10:45-11:45; 14:00-15:00 or by appointment

Course Web Page

via Blackboard

Sessions

3495	TTH	8:00 - 9:30	UTC 4.122
3500	TTH	9:30 - 11:00	UTC 4.122
3515	TTH	12:30 - 2:00	UTC 1.132

Teaching Assistant

Bomi Lee

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Phone: 364-6474, Office Hour: Tuesday 13:00-14:00.

Course Objectives

This course introduces the field of Investments.

The course will focus on the application of financial theory to the issues and problems of investment management. Topics will include portfolio optimization and asset allocation, equity valuation, the basics of bond pricing and derivative instruments, the theory of asset pricing models and their implications for investments, as well as evaluating investment management performance.

The main objective of this course is to provide students with a framework for making financial decisions related to Investments. These decisions can be relevant for, institutional investors (pension, mutual, and hedge funds), individual investors, corporate treasurer, or anyone who seeks to use or understand domestic or global investing.

Prerequisites

Finance 367 is a restricted course for students who are currently enrolled in a major program in the McCombs School of Business. Please note that several prerequisites apply for this course and are published in the Course Schedule. Prior completion of Finance 357 or Finance 357 H, Statistics 371G, 371H, 375, or 375H 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.

Text and Materials

Required

(1) **Textbook:** Bodie, Kane & Marcus, Investments, 2011, 9/e, McGraw-Hill, ISBN 0073530700.

- Lecture Notes will be available online on the UT Blackboard system <https://courses.utexas.edu/webapps/login/> no later than 2:00 pm on the day before a class session. Lecture notes are meant as an outline to reduce the amount of note copying of definitions and formulas but certainly not as a self-contained lecture summary. Reading the lecture notes without attending class will very likely be of little benefit.
- Additional timely readings may be made available as Handouts. (If you miss the handouts then it is your responsibility to make copies from another student).
- Check the blackboard site frequently for course updates.

(2) Calculator

Each student is required to bring a calculator to classes and tests. At a minimum, the calculator must have \ln , e^x , and x^y , buttons. Although a business calculator (such as HP 10bII, TI BAII Plus or calculators with similar capabilities) is not required for the course, I strongly encourage its use as it will be helpful for this as well as future course work in finance, accounting, and other business disciplines. Because of the variety of calculators used, students will be expected to learn how to use their calculators on their own. Programmable calculators must be cleared before each test, and there is no sharing of calculators during any test.

Course Outline

1. Overview of Financial Markets (Chapters 1-3)
2. Portfolio Theory and Asset Pricing Models (Chapters 5-10)
3. Equity Valuation, Efficient Markets, and Behavioral Finance (Chapters 18, 11-13)
4. Investment Instruments: Fixed-Income Securities (Chapters 14-16)
5. Investment Instruments: Derivative Securities (Chapters 20-22)
6. Professional Investment Management (Chapters 4, 24-26)

Grading Policies

There will be several sources of evaluation in this course:

Mid-Term 1	20%
Mid-Term 2	20%
Mid-Term 3	20%
Final Exam	20%
Homework	10%
Participation	10%

(1) Examinations

The four examinations given during the semester will carry equal weight toward your final grade. The tests 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. The difficulty level of the multiple choice questions will be similar to what can be found on professional credentialing examinations, such as for the Chartered Financial Analyst (CFA) designation.

Each test will be closed-book, closed-note. All necessary materials (i.e., test booklet, equation sheet, extra paper) will be provided to you. You will need to bring to each exam the following items: writing instruments, 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, some of which may not appear in the textbook or other assigned readings. The quantitative test problems will be modeled after (but not be identical to) the assigned problems and other numerical examples that are demonstrated during the relevant class sessions.

(2) Homework

There will be four sets of homework assignments during the semester. These homework assignments are intended as practice for the problems that will appear on the exams. Homework will not be fully graded for content, but your grade will be affected if you give the impression that you did not take the problem seriously, if you turned in sloppy work. Please assure that all homework assignments that you turn in are completed neatly and professionally.

(3) Class Participation

I expect that you will attend and contribute to the course section in which you are enrolled on a daily basis. As noted, a considerable amount of the material that will be covered in class (and on which you will be tested) will not appear in the textbook, the supplementary readings, or even the class lecture notes that will be posted on the course website. Therefore, I consider consistent attendance to be a crucial element in maximizing your potential for learning to be a successful investor.

I also recognize that myriad issues can arise during a semester (e.g., missed buses, oversleeping) that lead to absences. Accordingly, I will excuse a total of three absences during the semester, regardless of the reason.

I will take attendance at the beginning of each class session. You will only be allowed to sign the attendance sheet if you come to class on time and stay for the entire session. That is, instances of tardiness or leaving class early without explicit prior permission will be counted as the equivalent of an absence.

You may not attend a section of the course in which you are not enrolled without the prior written (i.e., by e-mail) consent of the instructor. Unauthorized attendance in a different section will be treated as an absence. Finally, please note that signing the attendance sheet for another student under any circumstance is considered an act of academic dishonesty and will be handled accordingly.

(4) Final Course Grades

At the end of the semester, the raw number of points that you have earned on every graded component will be counted. Curved Score Evaluation may be applied: the raw score accumulated over the semester may be adjusted upwards by curving the final distribution. The following percentile ranges may be applied to this distribution of final scores:

A:	92.0 and above
A-:	90.0–91.9
B+:	87.0-89.9
B:	82.0-86.9
B-:	80.0-81.9
C+:	77.0-79.9
C:	72.0-76.9
C-:	70.0-71.9
D+:	67.0-69.9
D:	62.0-66.9
D-:	60.0-61.9
F:	Below 60.0

There is no opportunity in this course to do “extra credit” work. Your grade will be determined solely by the components listed above.

Exam Schedule

The first three examinations will be given during regularly scheduled class periods; the fourth examination will be given during the assigned slot in the Final Examination week. The specific dates and topic coverage for the four examinations are as follows:

Mid-Term #1: Thursday, February 6 (covering Chapters 1-3, 5-7)

Mid-Term #2: Tuesday, March 18 (covering Chapters 8-12, 18)

Mid-Term #3: Tuesday, April 15 (covering Chapters 14-16, 20-22)

Final Exam: Final Examination Week-TBA (covering all the class sessions, but emphasizing Chapters 4, 24-26)

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.

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.

Email and Internet are not allowed during lectures. Mobile phones and other electronic devices have to be switched off during class at all times.

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. Should you have to leave class early, please have the courtesy of letting the instructor know before the beginning of the period and leave quietly so as not to disturb the other members of the class.
- **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, text 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 either off or completely on silent mode.** Any student text-messaging or emailing during class will be asked to leave the class. We've all heard the annoying ringing in the middle of a meeting. 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.

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 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 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>.