



FIN 367 Investment Management

Spring 2016:

Course Information		Instructor Information	
Course Number	: FIN367	Instructor	: Hanjiang Zhang
Location	: UTC 4.134	Office	: 6.268
Time	: MW (8-9:30am; 9:30-11am)	E-mail	: zhangh@mcombs.utexas.edu
Pre-requisites	: Finance 357 or 357H, Statistics 371G or 371H	Office Hours	: Wed., 11am -1pm; or by appointment
TA information			
Teaching Assistant (TA)	: Bing Wei (MBA candidate)	TA Office Hours	: Tue., 1-2pm; Thurs., 1-2pm; or by appointment
Office:	: TA Space D (Located inside CBA 4.304A)	Email	: Bing.We@mba17.mcombs.utexas.edu

Course Objectives

This is an introductory course in investments. The objective of this course is to provide students with a broad understanding of investments and portfolio management. Topics will include portfolio optimization and asset allocation, the theory of asset pricing models and their implications for investments, evaluating investment management performance, as well as the basics of bond, equity and option valuations. The main objective of this course is to provide students with a framework for making financial decisions related to Investments. These decisions are relevant for institutional investors (pension, mutual, and hedge funds), individual investors, corporate treasurers, and anyone who seeks to use or understand domestic or international investing.

Prerequisites

Finance 367 is a Restricted Course for students who are currently enrolled in a major program in the College of Business and Administration. Prerequisites for this course are: Finance 357 or Finance 357 H, Statistics 371G or Statistics 371 H. In addition, proficiency in mathematics and spreadsheet packages is assumed.

Course Materials

Textbook: Bodie, Kane & Marcus, Investments, 10th edition, McGraw-Hill, ISBN 978-0-07-786167-4.

Lecture Notes: Available online on the UT Canvas system before class. Note that lecture notes are meant as an outline to the course contents rather than a self-contained lecture summary. You should read related chapters and attend classes.

Course Assessments

Components	Marks	Individual/Group
Class Participation	9%	Individual
Midterm 1	20%	Individual
Midterm 2	20%	Individual
Course projects	16%	group
Final	35%	Individual
Total	100%	

Exam and Grading Policies

Each midterm exam will include questions up to that point in the class. The Final Exam will be comprehensive and will cover material from lectures, class discussions and assigned readings through the entire semester. Exams will strive to test comprehension level, not merely memorization skills.

Grading

The final Letter grades for the course will be based on the student's ranking in the course relative to other students (i.e., the curve). This ranking is based on your total points accumulated over the entire semester. Because of this relative ranking, questions about what your grade or standing in class cannot be answered until all tests have been taken and graded.

There is no opportunity in this course to do "extra credit" work. Your grade will be determined solely by the components listed above. If you are taking the course pass/fail, you must complete all projects and take all exams in order to pass.

Regrade Policy

Exams will not be returned for you to keep and can be reviewed for regrade purpose only during the week following the reception of the grade. However, I will review the tests and the answers with the class after each exam if time permits.

Students who disagree with the grade assigned may, request a regrade of certain question(s) in the exam. This request must be in writing, giving the question in contention and the reason why the student feels that the answer given is correct. This regrade request must be submitted to me within one week of receiving your grade. We will be happy to regrade any exam. Please note that entire exam will be re-graded and the score may increase, remain the same, or decrease.

Exam Policies

Students missing an exam without my prior permission will receive **Zero** for that exam. Students missing an exam with my prior permission will have the weight of the missed exam added to their final exam. **No make-up exam will be given.** In addition, **requests for excuse from an exam must be made in writing or email, and, they must be made at least 1 week**

before the exam, except for extreme emergencies, in which case you should provide supporting medical or other documents.

Class Participation

Class Participation includes both class attendance and positive contributions in class. Students are expected to attend each class and arrive on time before the beginning of the lecture. Class participation consists of positive and constructive comments, questions, remarks, and answers in class. On the other hand, any inappropriate attitude or behaviors in class will be met with zero participation score, or penalty under the University guidelines.

Course Projects

You will work on course projects with group members. please form groups. Each group should contain 4 to 5 students from your class.

Each group will only turn in one copy of the report for each project. All group members will receive the same score for each course project. Your final report should include: (1) a written report that includes a complete set of numerical, written, and graphical answers to each part of the assigned questions. You should show your computation steps. (2) a data flash drive (or CD-ROM) containing *all* of your various supporting regressions, calculations and spreadsheets.

Professors and TA are happy to provide clarifying information regarding the project and related concepts but are not there to walk students through the projects, since projects are part of the course evaluation. Therefore, we will **NOT** answer questions about how to do specific calculations or how to answer specific part of the projects.

Course projects should be submitted before the deadline, that is, before **5pm, May, 4th (Wednesday)** - our last day of class. **No late submission will be accepted for any reason.** Late submission will result in a **zero** in course projects.

Calculator

Each student is required to bring a financial calculator to classes and tests. Students are expect to know how to use financial calculator as this is the basic skill you should have already acquired from Financial Management (one of our prerequisites). Programmable calculators **must be cleared** before each exam, and there is no sharing of calculators during any test.

Email

The professor and TA will respond to thoughtful emails, though not on Sunday and some Saturdays. Please include "Fin 367" in the subject line of course-related emails. Students should engage in respectful, formal, and thoughtful use of email to the Teaching Assistant and the Professor. This type of correspondence will be demanded in the business world and students should practice these skills.

For complicated and extensive questions, we encourage and welcome face to face discussions rather than emails. During exam periods, if you have more than just a couple of questions, please come to see me and your TA in office.

Tentative Weekly Schedule

All readings correspond to Bodie, Kane, and Marcus, Tenth Edition. Readings are to be read ahead of class. **Schedule is Subject to Change.**

Week	Topic	Readings/Activity
Week 1	Introduction of the course	

(1/20)		
Week 2 (1/25, 1/27)	Asset Classes and Financial Instruments. How Securities are Traded	Ch 2 & Ch 3 Lecture Notes/Video
Week 3 (2/1, 2/3)	Risk, Return, and the Historical Record	Ch 5 Lecture Notes/Video
Week 4 (2/8, 2/10)	Capital Allocation to Risky Assets Optimal Risky Portfolio	Ch 6 and 7 Lecture Notes/Video
Week 5 (2/15, 2/17)	Index Model Portfolio Performance Evaluation	Ch 8 and Ch 24 Lecture Notes/Video
Week 6 (2/22, 2/24)	Portfolio Performance Evaluation Cont'd Review for Mid-term 1	Lecture Notes/Video Course Project I, Handout
Week 7 (2/29, 3/2)	<u>Midterm 1 (In Class Exam) - Monday, Feb, 29th</u> Capital Asset Pricing Model	Ch 24 Lecture Notes/Video
Week 8 (3/7, 3/9)	Arbitrage Pricing Theory	Ch 9 and Ch10 Lecture Notes/Video
	Spring Break	
Week 9 (3/21, 3/23)	The Efficient Market Hypothesis The Efficient Market Hypothesis Cont'd	Ch 11 Lecture Notes/Video
Week 10 (3/28, 3/30)	Bond Price and Yields The Term Structure of Interest Rates	Ch 14 and Ch 15 Lecture Notes/Video
Week 11 (4/4, 4/6)	Managing Bond Portfolios Review for Midterm 2	Ch 16 Lecture Notes/Video Course Project II, hand out
Week 12 (4/11, 4/13)	<u>Midterm 2 (In Class Exam) - Monday, April, 11th</u> Managing Bond Portfolios Cont'd	Ch 16 Lecture Notes/Video
Week13 (4/18, 4/20)	Equity valuation models Equity Valuation Models Cont'd	Ch 18 Lecture Notes/Video

Week 14 (4/25, 4/27)	Behavioural Finance Options Markets and Valuations	Ch 12 and Ch 20 Lecture Notes /Video
Week 15 (5/2, 5/4)	Option Valuations Cont'd & Other topics Review for Final	Ch 21 and Review Materials <u>Both projects due on 5pm, Wednesday, May, 4th</u>

Final—Set by Registrar at Common Exam Time

Academic 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.

Academic dishonesty includes but is not limited to: lying, cheating, stealing (e.g., answers), multiple submissions, plagiarism (including, improper attribution of sources), unauthorized cooperation, and misrepresentation of facts. It is your responsibility to understand all attributes of proper conduct. In particular, students should understand exactly how to engage in proper citations. Changing sentence structure around is still paraphrasing. If ideas are borrowed from someone and phrased in your own wording, citation is always required. Lack of knowledge is no excuse.

Please carefully read: http://deanofstudents.utexas.edu/sjs/scholdis_plagiarism.php and <http://writing.yalecollege.yale.edu/advice-students/using-sources/understanding-and-avoidingplagiarism/what-plagiarism> . Any individual assignment should be completed individually without help from others. Group *preparation* for examinations is acceptable and encouraged.

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.

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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>.

The syllabus is dynamic and subjected to changes. Depending on the progress of the class, the instructor reserves the rights to add/remove topics from the syllabus.

Thank you!

The instructor looks forward to a fabulous and exciting semester with all of you!