



FIN s367 Investment Management

Summer 2017 Syllabus

Successful completion of the Investment Management course provides students with comprehensive knowledge of the subject and a set of tools designed to assist them in the investment decision-making process. Prerequisite: Finance 357 or 357H; and credit or registration for Statistics 371G, 371H, 375, or 375H.

Instructor: Gregory A. Alves | Greg.Alves@mcombs.utexas.edu

Required Text: Essentials of Investments 10th Ed., by Bodie, et al. McGraw Hill, 2017

Required Tools: Hardware: Notebook¹ Calculator: HP 10bII+

Online Portfolio Simulation: <http://mccombstrading.stocktrak.com/>

Online Course: <http://connect.mheducation.com/class/g-alves-2nd-session-summer-2017-unique-71440>

Office: GSB 4.126G

Office Hour: By appointment only: Email me anytime to make an appointment.

Room & Time: UTC 1.116 MTWTH 2:00 p.m. to 4:00 p.m.

Grading & Reporting

Assignment	Percent
	5%
Homework	5%
Quizzes	15%
Block I Examination	15%
Block II Examination	15%
Block III Examination	15%
Block IV Examination	15%
Stock Trak Assignment	15%

- +/- Grading: Letter grades A, A-, B+, B, B-, C+, C, C-, D+, D, D- or F
- No credit beyond the above graded assignments is allocated during or after the end of the term
- Incompletes may be granted at my discretion and in accordance with the *General Information Catalog* found here: <http://registrar.utexas.edu/catalogs>

¹ Your notebook must have Excel® installed and be compatible with the system requirements of McGraw Hill's Connect®. Please refer to the following webpage for such requirements: <https://connect.mheducation.com/connect/troubleshoot.do>

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Schedule

		connect ¹		Assignment ¹
Subject Block	Week	Lecture / Exam Date	Topic	Chapter Available 12AM Due 2:00 p.m.
The Basics	1	7/10/2017	The Basics Client Types & Objectives	1, 22 7/10/2017 7/11/2017
		7/11/2017	Asset Classes & Financial Instruments Securities Markets	2, 3 7/10/2017 7/12/2017
		7/12/2017	Mutual Funds & Other Investment Companies	4 7/10/2017 7/13/2017
		7/13/2017	Stock Trak Assignment Instructions: Passive & Active Index	Invested COB Friday 7/15/2017
Modern Portfolio Theory	2	7/17/2017	Block 1 Examination Covering CH 1,22,2,3,4	
		7/18/2017	Risk & Return	5 7/17/2017 7/19/2017
		7/19/2017	Efficient Diversification	6 7/17/2017 7/20/2017
		7/20/2017	CAPM & APT FF	7 7/17/2017 7/21/2017
Traditional Investment Management	3	7/24/2017	EMF Behavioral Finance	8, 9 7/17/2017 7/25/2017
		7/25/2017	Macroeconomic & Industry Analysis	12 7/24/2017 7/27/2017
		7/26/2017	Block 2 Examination Covering CH 5,6,7,8,9	
		7/27/2017	Equity Valuation Financial Statement Analysis	13, 14 7/24/2017 7/28/2017
Derivatives, Alternatives, Taxes & Inflation	4	7/31/2017	Bond Prices & Yields	10 7/24/2017 8/1/2017
		8/1/2017	Managing Bond Portfolios	11 7/24/2017 8/2/2017
		8/2/2017	Options Markets	15 7/31/2017 8/7/2017
		8/3/2017	Block 3 Examination Covering CH 12, 13,14,10,11	
Derivatives, Alternatives, Taxes & Inflation	5	8/7/2017	Option Valuation	16 7/31/2017 8/8/2017
		8/8/2017	Futures Markets & Risk Management Hedge Funds	17, 20 7/31/2017 8/9/2017
		8/9/2017	Portfolio Performance Evaluation Taxes, Inflation, & IS	18, 21 7/31/2017 8/9/2017
		8/10/2017	Block 4 Examination Covering CH 15,16,17,20,18, 21 [Stock Trak Due]	

¹All Connect® assignments include Learnsmart®, homework, and quizzes

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General

Welcome to FIN s367, Investment Management. You will notice from the schedule on the previous page that four “subject blocks” are color coded in a manner similar to the spectrum of light. This serves as an apt metaphor for your introduction to investment management. Initially, you might view the subject quite simply and broadly as the study of how to build wealth using financial assets. After you complete this course, however, you will understand the topic requires a substantial depth of knowledge to be a successful practitioner. Characteristic of such complexity, whole careers are available in many different areas within the field - areas you will come to know well in this course. You will learn that investment management is not only concerned with the expected return of securities, but the horizon of the client, the client’s liabilities, risk, ongoing performance measurement, etc., etc. Like the light not visible to the human eye within the spectrum, you should be aware that a number of areas will remain invisible to us in the interest of time and the requirements of this particular course on the subject. I can assure you that if you successfully complete this course, you will have a number of investment management tools in your academic arsenal that will allow you to effectively pursue and advance other goals either in the field of investments or simply to assist in planning for your own retirement.



Learnsmart®, Homework, Quizzes, and Examinations

You are required to join the online course for this class in order to complete the assignments and take all four examinations. The website for the course is:

<http://connect.mheducation.com/class/g-alves-2nd-session-summer-2017-unique-71440>

The assignments are organized separately into groups that correspond to the schedule listed on page two. The assignment and completion dates are defined in the schedule as well as online. Please note that an incomplete assignment will be automatically submitted for grading

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on the due date. Therefore, incomplete assignments will be graded as such and a score of zero will be recorded for any assignment not attempted by the student. Generally speaking, you will have to complete an assignment by the next class session. From the schedule on page two you observe that assignments generally begin at the start of a block (12:00 a.m.) and end just prior to class time on the next day. There is one exception to this on the day just prior to the last class where you have two assignments due just prior to the block examination. This gives you some flexibility to plan around your own unique schedule, however, recognize that you should start as early as possible so that you complete the assignments with enough time to study for the block examinations.

Each assignment contains a Learnsmart® module, homework and quiz. Learnsmart® is an adaptive learning tool that provides guidance during the completion of your assignment and will prepare you for the homework, quizzes and ultimately the examinations. Therefore, it is recommended that you complete the Learnsmart® portion of the assignment before attempting the homework or quiz. You will note that all of the modules in Learnsmart® are available and can be accessed via a widget on the main course page if you wish to progress with self-study. While attempting these prior to their due dates is not required, please be advised that you will only get credit for the assignment during the posted date range and finally when the assignment is due. Thus, while you may access a previously due assignment via the widget, your recorded score will remain. Ongoing access via the Learnsmart® widget is helpful because it will allow you to review prior to an examination.

The next item required to complete an assignment in Connect® is the homework. Each homework assignment has five questions. During the homework assignment, you will have access to a number of tools that will assist you including the ability to check your work. The homework is designed to provide at least some direction for the quiz. Occasionally, you may even find a question on the quiz exactly like one in the homework but with different values assigned. Given that both the homework and Learnsmart® provide you with access to significant study aids, the weighting for these two items sums to 10% of your grade. The

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quizzes also contain five questions each and are designed to demonstrate your knowledge. You will not have access to the efficient study aids provided during the homework, however, you will have access to your textbook. While you have access to your textbook, there is a time limit on the quiz that will likely limit your access as any significant delay will likely result in a reduced score. Therefore, you should have command over the material before attempting the quiz. Completing the Learnsmart® module and the homework will assist you greatly to this end.

Block Examinations

There is no final examination for this class. This benefit is balanced, however, by the workload demands during the term. You will notice on the schedule on page two that four block examinations are listed for the following dates:

Block 1 “The Basics”:

Examination Date: July 17th | Covers chapters 1, 22, 2, 3, 4

Block 2 “Modern Portfolio Theory”:

Examination Date: July 26th | Covers chapters 5, 6, 7, 8, 9

Block 3 “Traditional Investment Management”:

Examination Date: August 3rd | Covers chapters 12, 13, 14, 10, 11

Block 4 “Derivatives, Alternatives, Taxes & Inflation”:

Examination Date: August 10th | Covers chapters 15, 16, 17, 20, 18, 21

The four blocks are characterized by a theme of study summarized in the selected chapters covered in each block. A basic overview of investment management is covered under, “The Basics.” Next, we will discuss portfolio theory. Block 3, titled, “Traditional Investment

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Management,” will cover the main areas of investment management, i.e., macroeconomic analysis, security analysis and portfolio management. Finally, we will examine derivatives, alternatives, taxes and inflation in Block 4.

Each examination is worth 15% of your grade. Thus, 60% of your grade will be the result of your combined performance in these examinations. Each examination will include thirty multiple choice questions, many requiring calculations.

The examinations will be administered in class via Connect®. Thus, a notebook computer is required to complete the examination and you will be required to have online access via the University’s wireless connection (<https://management.pna.utexas.edu/>). Students are required to take the examination in class and sign an attendance sign-in sheet upon arrival. Only a notebook and a calculator of the type listed on this syllabus will be allowed at the students’ seating area. A formula and scratch sheet will be provided by the instructor. All other items, i.e., phones, book bags, backpacks, etc. must be stowed at the front of the class. Once everyone is seated, a password will be provided at the start of class on the examination date in order for you to log in and complete the examination. For any student renting a notebook computer to take the examination, I recommend that you make sure all updates have been made to the operating system and that the system requirements for Connect® are satisfied well in advance of the actual examination time.

STOCK|TRAK® Project

A portfolio management project will be available for review on the first day of class, July 10th, and will represent 15% of your grade. The project is due on August 10th, which is the final day of class. A separate set of detailed instructions will be provided online via Connect® as a companion to the syllabus along with an Excel® file containing information to help you organize the analysis. A brief summary of the project is as follows: You are starting a new investment advisory company. You have already registered your company as a Delaware LLC and will

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operate as a registered investment advisor here in the Great State of Texas. Since you have no performance history, you recognize that it will be difficult to secure an initial client base. You have decided, therefore, to use \$1,000,000 of your own capital to demonstrate your expertise and subsequently develop the performance history necessary to be considered by potential investors.

You have decided to select, at most, 100 securities from the S&P500 index. The index will also serve as your performance benchmark. You must decide on whether to choose an active strategy or a passive approach to the selection of securities and management of the portfolio. Both cases will require you to minimize the active share risk to the S&P500 index. The active case will require a forecast of alphas for each of the securities and manage the “active” exposure in the portfolio while still minimizing active share risk. While I will provide you with historical alphas, it is advisable that you develop your own forward-looking ones for the 100 securities that will ultimately be under consideration for inclusion in the portfolio.

Your instructor will offer guidance to assist in your initial efforts to form the portfolio. The instructor will have access to the performance of the account during the term in order to evaluate your performance. In addition, the instructor will provide you with some initial insight into how to develop an S&P 500 index portfolio with 100 stocks or less. All students will be required to submit a one page summary on August 10th along with their quantitative analysis in the form of an Excel file (please see the detailed StockTrak instruction sheet on Connect®).

Attendance

There is a high likelihood of the application of a grading curve. This will be determined at my discretion. A student that misses more than three classes will not be eligible for any applied curve. Further, if a student enjoyed application of a curve on an earlier examination, but subsequently fails to show up to class more than three times, they will forfeit any previously assigned curves and their grade will be returned to the original value. A signature page will be

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issued at the start of each class to confirm attendance. Attendance is required and exceptions are granted only in those cases where the individual follows the guidelines for “Religious Holy Days.” **Please review this schedule carefully as you are committing to these dates and times. It will be your responsibility to accommodate once the term begins.**

Religious Holy Days

University of Texas at Austin policy requires that 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, I will give you the 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://my.mcombs.utexas.edu/BBA/Code-of-Ethics>. 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.

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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 or <https://operations.utexas.edu/units/csas/bcal.php>
- Further information regarding emergency evacuation routes and emergency procedures can be found at www.utexas.edu/emergency.

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://diversity.utexas.edu/disability>.