



FIN 367 Investment Management

Summer 2018

Instructor	Erica Xuewei Jiang
Office Hours	MTWTR 4:30-5:30pm
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Course Webpage	via Canvas (http://canvas.utexas.edu)
Meeting Time	MTWTR 2:00-4:00pm
Classroom	PAR 303

Course Objectives

This is an introduction course in the field of Investment Management.

This 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, the basics of bond and derivative pricing, the theory of asset pricing models and their implications for investments, and evaluating investment management performance.

You should be able to make intelligent investment decisions upon finishing this course. More importantly, this course will equip you with necessary skills to understand financial markets and their roles in society at large.

Prerequisites

FIN 367 is a restricted course for students enrolled in a major program in the business school. Note that several prerequisites apply for this course and are published in the Course Schedule. Prior completion of FIN 357 or FIN 357H, STA 371G, or STA 371H are among these requirements. In addition, proficiency in mathematics and spreadsheet packages is assumed.

Course Outline

Module 1: Financial markets, theories, risk and returns (Chapter 1-2, 5-10, and 13)

Module 2: Fixed-income securities (Chapter 14-16)

Module 3: Stocks, indices, and portfolio investments (Chapter 3, 11-13, 17-19)

Module 4: Options, futures, and institutional investors (Chapter 4, 20-23, 26)

Class Materials

Required Textbook

Zvi Bodie, Alex Kane and Alan Marcus, *Investments*, 10th Edition (ISBN: 0077861671)

This textbook is available for purchase at the University Co-op. Before each class, you need to at least familiarize yourself with the terminology, basic concepts, and logic flow of the concept.

The homework problems will not come directly from the book. Therefore, **older editions, electronic versions, or a copy shared with a friend will all be equally effective.**

Lecture Notes

I will provide copies of lecture notes at the beginning of each class. These handouts will include formulas and overview of the materials we are going to discuss during the classes. There will be a good amount of discussion and learning that are not covered by the slides, so students are expected to take their own notes. **The slides are NOT meant to be sufficient for learning the materials, solving the homework and quiz problems or exam questions.**

Financial Calculator

You will need a calculator that can compute powers, roots, and logarithms and IRR (Internal Rate of Return) for solving problems in classes, homework assignments, quizzes and exams. Please bring your calculator to every class meeting. A sophisticated financial calculator is highly recommended. You can also use your scientific calculator from math classes.

Please note that you are not allowed to use your phone as calculator during in-class quizzes and exams.

Evaluation and Grading

Grading Weights

Final Exam	Aug 17, 2:00-5:00pm. Location TBA. Covers all materials.	40%
Midterm Exam	In class on Tuesday, July 31, covering the first 9 lectures.	20%
Homework Assignments	3 assignments, 5% each.	15%
Quizzes	4 in-class quizzes, the best 3 scores are counted, 5% each.	15%
Class Participation	Attendance and contribution to class discussions.	10%

Exams

There will be one midterm exam and one final exam. The midterm exam will take place during the normal class time on July 31 in the classroom. It will cover fist two models. The final exam will take place on the date to be determined by the Registrar. The final exam will be comprehensive. The exams will be **open book and open notes**. **You will be allowed to use the textbook, lecture notes, calculator** (not on a phone) and anything that does NOT allow you to communicate with others (i.e., no phones, tablets, or laptops). If you decide to buy an electronic textbook, please take notes on separate sheets or the corresponding lecture slides, or print out relevant pages, and bring to exams these materials instead of a prohibited electronic device.

If you have to miss an exam as scheduled due to a legitimate reason, please refer to the policies below:

- 1) Medical problem: **you must provide a document signed and dated by the doctor explaining your medical condition**. If possible, please ask the doctor to explicitly state that your medical condition prevents you from taking the exam on the scheduled date.
- 2) Religious holy day: per University policies, you must submit a written request to me **at least fourteen (14) days** prior to the observance date.
- 3) Other reasons: you must submit a written request with detailed explanation **at least three (3) calendar days prior to the exam date (for example, for the midterm exam on July 31, the request must be submitted by midnight, i.e., 12:00PM, on July 28)**. I have the final say on granting the absence for reasons that belong to this category (i.e., not medical or religious).

If you fail to follow the rules specified above and miss an exam, you will receive zero score for the exam. A make-up exam will be provided only if you missed an exam with legitimate reasons and followed the rules stated above.

Homework Assignments

There will be 3 homework assignments in total. Each assignment counts 5% toward your final grade. One assignment for each module. Homework assignments will be posted online one week prior to its due date. You can either complete the assignments by yourself or work with up to three other classmates. **Each group should submit only one copy of the assignment at the beginning of the class on the due date.** The

primary purpose of the homework assignments is to provide you opportunities to review, digest and practice the knowledge you learn in the classes, so the grades of the assignments will be based on both accuracy and effort. **Late homework will not be accepted unless you have a pre-approved request.** For details on how to make such a request, please refer to the policies described above for missing an exam.

Quizzes

There will be 4 in-class quizzes. **Quizzes are close-book and close-notes. All Quizzes will take place at the beginning of the classes. The classroom policies for the quizzes are the same as those for the exams. If you miss any quiz without a pre-approved request, you will receive zero on that quiz.** At the end of the semester, I will drop the lowest quiz score and each of the remaining three counts 5% towards your final grade. If you are **approved to miss** one quiz and attend the other three, you still get to drop the lowest score and each of the remaining two counts 7.5% towards your final grade, so on and so forth. If you only attend one quiz and miss the other three **with legitimate reasons**, you have the option to either make that quiz count 15% towards your final grade, or drop the quiz and move the total weight of quizzes (15%) to your final exam, i.e., making the final exam count 55%. For the extreme case that you miss all four quizzes **with legitimate reasons**, the 15% weight will be added to your final exam weight automatically, i.e., your final exam would count 55% towards your final grade. For details on how to make a request for absence, please refer to the policies described above for missing an exam.

Regrading

If you believe there is a problem in the grading of any homework assignment, quiz, or exam, please submit a written request in email or paper to me with a detailed explanation of your situation **within 3 calendar days after the assignment, quiz or exam is distributed.** An exception is the final exam – the final exam papers will not be distributed. For any regrading request, you will be notified individually about the result within 3 calendar days after you submit the request.

Class Participation

I will take attendance at the beginning (**2:00PM**) of each class that does not include a quiz or exam. **If you arrive after I start the lecture, you will be counted as absent for that class.** I understand that things happen – a bus runs late, you are sick, you have an interview, etc. To accommodate these and other unexpected problems, I excuse two absences or late appearances. **Please note that I do not entertain such excuses for quizzes; for any quiz, you must submit a request in advance so that you do not get a zero for missing it. Details have been discussed in the previous section.** For your final grade, one percentage point will be subtracted for each absence or late appearance more than the two times allowed (up to ten percentage points). I know that attending classes on time can be a challenge, but *Investments* is a challenging topic. If you do not come to the classes or pay enough attention during the classes, you will likely underperform on the exams. For this reason, I also strongly encourage you to be active in class. The **quality, not quantity**, of your participation in class can have an influence on your participation grade. Finally, your participation grade will also be influenced by your adherence to the McCombs Classroom Professionalism Policy as described below.

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 Texas BBA experience hinges on this. You should treat the Texas BBA classroom as you would a corporate meeting called by your boss.

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.

The Texas BBA classroom experience is enhanced when:

- Students arrive on time. See above for a discussion of my attendance policy.
- 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.
- Students are fully prepared for each class. Much of the learning in the Texas BBA program 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 and faculty respect the views and opinions of their colleagues. Reasonable disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- Laptops are closed and put away. Laptops will not be needed at any point during the lectures. If you have one out, I will ask you to put it away because it distracts you, your neighbors, and me. I will provide hard copies of the lecture notes before each lecture with plenty of white space for additional notes.
- Phones and wireless devices are silent and do not vibrate. We have all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform me 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://diversity.utexas.edu/disability/>.

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://my.mcombs.utexas.edu/BBA/Code-of-Ethics>. By teaching this course, I have agreed to observe all faculty responsibilities described there. By enrolling in this class, you have agreed to observe all student responsibilities described there. 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 (or <https://operations.utexas.edu/units/csas/bcal.php>).
- Further information regarding emergency evacuation routes and emergency procedures can be found at: <http://www.utexas.edu/emergency>.

Tentative Class Schedule

Class/Day	Date	Topic	Chapter/Due
1-Monday	July 16	Introduction	Chapter 1, 2
2-Tuesday	July 17	Risk and Returns	Chapter 5, 6
3-Wednesday	July 18	Portfolio Theory I	Chapter 6, 7, 8
4-Thursday	July 19	Portfolio Theory II	Chapter 6, 7, 8 / Quiz 1
5-Monday	July 23	CAPM I	Chapter 9, 10, 13
6-Tuesday	July 24	CAPM II	Chapter 9, 10, 13 / Due: HW1
7-Wednesday	July 25	Bond Basics	Chapter 14
8-Thursday	July 26	Yield Curve	Chapter 15 / Quiz 2
9-Monday	July 30	Bond Portfolios	Chapter 16
10-Tuesday	July 31	Midterm Exam	Modules 1,2
11-Wednesday	August 1	Stock I	Chapter 17, 18
12-Thursday	August 2	Stock II	Chapter 3, 18 / Quiz 3
13-Monday	August 6	The Efficient Market Hypothesis	Chapter 11,12
14-Tuesday	August 7	Quantitative analysis	Chapter 12, 13 / Due: HW2
15-Wednesday	August 8	Futures and Forwards I	Chapter 22, 23
16-Thursday	August 9	Futures and Forwards II	Chapter 22, 23 / Quiz 4
17-Monday	August 13	Options I	Chapter 20, 21
18-Tuesday	August 14	Options II	Chapter 20, 21 / HW3 Due
19-Wednesday	August 15	Institutional Investors	Chapter 4, 26
20-Thursday	August 16	Review	