



Investment Management FIN S367 Summer 2018

Instructor	Iman Dolatabadi
Office Hours	TTH 9:00-10:00am and 3:00-4:00pm
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Course Unique	71485
Course Webpage	Canvas (http://canvas.utexas.edu)
Meeting Time	MTWTH 12:00-2:00pm
Classroom	SZB 278

Course Description

This is an undergraduate-level course and meant to be an introduction to the theories and practices of financial investments. The course will focus on the application of financial theory to the issues of financial investment management. Topics will include portfolio optimization and asset allocation, the basics of equity valuation, bond pricing, and pricing of commonly used derivatives such as futures and options. The main objective of this course is to provide students with a framework for making decisions related to financial investments. These decisions would be relevant for institutional investors (pension, mutual, and hedge funds), individual investors, corporate treasurers, and anyone who seeks a career in finance. Much of the material will be presented using simple examples designed to demonstrate how concepts we cover in class can help making decisions related to financial investments.

Prerequisites

Finance 367 is a Restricted Course for students who are currently enrolled in a major program in the College of Business and Administration. Note that several prerequisites apply for this course and are published in the Course Schedule. Prerequisites include completion of Finance 357 or Finance 357H, and credit or registration for Statistics 371G, 371H, 375 or 375H. In addition, proficiency in mathematics and Excel spreadsheets is assumed. Students who are uncertain as to whether they satisfy these requirements should notify the instructor.

Course Materials

Required Textbook

Investments by Zvi Bodie, Alex Kane and Alan Marcus, McGraw Hill, ISBN: 0077861671, 10th edition (2014).

The relevant chapters for each lecture can be found in the Tentative Class Schedule section of this syllabus. This textbook is available for purchase at the University Co-op. As a cheaper option, you can rent one or buy a used one from Amazon.com or other platforms. You may also borrow one from your friends over the period of the course.

Lecture Notes

I will provide copies of lecture slides at the beginning of each class. These handouts will include formulas and overview of the materials we are going to discuss during the classes. However, there will be a good amount of discussion and learning that are not shown on the slides, so students are expected to take their own notes. **The slides alone 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 (e.g., 1.04^5 , e^3), nth roots (e.g., $\sqrt[4]{36}$) and logarithms (e.g., $\log(200)$) and IRR (Internal Rate of Return) for solving problems in classes, homework assignments, quizzes and exams. Please bring your calculator to every class meeting. **Please also note that you are not allowed to use your phone as calculator during in-class quizzes and exams.**

Strongly Recommended

Bloomberg.com, Wall Street Journal, Financial Times, The Economist, or some other Financial News source.

Evaluation of Student Performance

Grading Weights

Final Exam	Location and Time: TBA, Covers all materials taught.	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%

Letter-Grade Distribution

Letter grades are assigned at the end of the course based on students' relative ranking in the class. As a general guidance, I plan to give the top 30% of the class A or A-'s, and the next 50% of the class B+, B, or B-'s. The bottom 20% of the class will receive C+, C, C-'s or lower grades. However, I reserve the right to adjust this distribution based on the overall performance of the class. As an additional policy, I give students that **rank among the top 15% in the final exam A's regardless of their scores in other assessments**. The only condition for this is that you have been a "good citizen," that is, participated in lectures, handed in homework assignments, and took the midterm exam.

Exams

There will be two exams. The midterm exam will take place **during the usual class time** on July 31 in the usual classroom at SZB 278. The midterm exam will cover the materials up to Lecture 9. The final exam will take place on ... (TBA), as arranged by the Registrar. The venue of the final exam will be announced as soon as it is determined later in the semester. The final exam will cover all the materials covered in this course. 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 must 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

Homework assignments will be posted online about a week prior to its due date. There will be 3 homework assignments in total. Each assignment counts 5% toward your final grade. You can either complete the assignments by yourself or work with at most three other classmates (so the maximum group size is FOUR). **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, and the grading will be relatively lenient. **However, such leniency should**

not be expected for the grading for quizzes or exams. 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.** As indicated on the Tentative Class Schedule, quizzes are on scheduled on Thursdays. **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 a zero score on that quiz.** At the end of the semester, I will drop the lowest among the four quiz scores 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 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 (**12:00PM sharp**) 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, etcetera. 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.

How to do well on the exams?

Problem sets and in-class exercises provide the best preparation for the exams. I will also provide sample exams for you so that you can practice before each exam.

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.
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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 / <u>Quiz 1</u>
5-Monday	July 23	CAPM I	Chapter 9, 10, 13
6-Tuesday	July 24	CAPM II	Chapter 9, 10, 13 / <u>HW1 Due</u>
7-Wednesday	July 25	Bond Basics	Chapter 14
8-Thursday	July 26	Yield Curve	Chapter 15 / <u>Quiz 2</u>
9-Monday	July 30	Bond Portfolios	Chapter 16
10-Tuesday	July 31	Midterm Exam	
11-Wednesday	August 1	Equity Valuation I	Chapter 17, 18
12-Thursday	August 2	Equity Valuation II	Chapter 3, 18 / <u>Quiz 3</u>
13-Monday	August 6	The Efficient Market Hypothesis	Chapter 11
14-Tuesday	August 7	Futures and Forwards I	Chapter 22, 23 / <u>HW2 Due</u>
15-Wednesday	August 8	Futures and Forwards II	Chapter 22, 23
16-Thursday	August 9	Options I	Chapter 20, 21 / <u>Quiz 4</u>
17-Monday	August 13	Options II	Chapter 20, 21
18-Tuesday	August 14	Options III	Chapter 20, 21 / <u>HW3 Due</u>
19-Wednesday	August 15	Institutional Investors	Chapter 4, 26
20-Thursday	August 16	Review	