

Syllabus

Finance 367: Investment Management

Summer II 2012

Course Unique Number 71710

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Class Meetings: at UTC 3.122, Monday-Thursday 12:00 PM - 1:45 PM

Office Hours: at CBA 3.332E, Monday-Thursday 10:30 AM - 11:30 AM and 3:00 PM - 4:00 PM; additional appointments and drop-ins are welcome

Course Websites: UT Blackboard for grades and Connect (see below) for assignments

Required Course Materials (see below for more detailed description and suggested alternatives)

- Textbook: "Investments with Connect" by Bodie, Kane, and Marcus, 9th edition, 2011
- Connect subscription: register at <http://connect.mcgraw-hill.com/class/sergey>
- Laptop for use in class

Course Objectives

The goal of this course is to expose students to the fundamental concepts of investment theory and financial markets. This will include an introduction to portfolio theory, asset pricing and the analytical tools of portfolio management.

Prerequisites

While the instructor will make effort to refresh student's memory of relevant mathematics, probability, and statistics concepts, it will be difficult to pass the class without a certain level of student's proficiency in these subjects. If you feel your mathematics background might be weak, please seek instructor's advice on whether to take this course and on how to feel in the gaps in the math background. Additionally, note that several prerequisites apply for this course and are published in the Course Schedule. Prior completion of Finance 357 or Finance 357 H (with a grade of at least a C) and its prerequisites are among these requirements.

Class Attendance Policy

Class attendance is mandatory and there will be daily in-class quizzes.

Assignments and Expected Out-of-class Workload

- Reading textbook. You will be expected to read one chapter of the textbook after Monday, Tuesday, and Wednesday classes, and two chapters after Thursday class. All chapters are approximately 30 pages long (including pictures and tables), and 2 hours should be sufficient to read and understand the main concepts.
- Daily homeworks will be straightforward, designed to verify concept comprehension, and will not be calculation intensive. The homework has to be completed online on Connect website. It will consist of a few questions and has to be completed in one sitting within some time limit, for example 30 minutes. The homework will cover the topic discussed during the last class meeting and will be due sometime before the next class meeting or before pre-class office hours. Allow about 30 min for each homework. You can use textbook and even Internet while completing the homework, however you will not have enough time to do so. You are not allowed to use anyone's help in completing your homework assignment, and doing so is unfair to other students (due to relative grading), constitutes a severe violation of university's Honor Code, and will result in class failure and the disciplinary action. It is also in violation of the Honor Code to search for and to use solution manuals for the exact assigned problems or similar databases containing solution keys, or search the Internet for the exact problems assigned (however you can use the Internet for reference purposes). Moreover, if you become aware of other students violating the Honor Code, it is your responsibility to inform the instructor.
- Therefore, the expected weekly out-of-class workload is $2 * 5 \text{ chapters} + 0.5 \text{ hour} * 4 \text{ homeworks} = \mathbf{12 \text{ hours a week}}$.

Honor Code

All students must comply with University policies for conduct and academic honesty at all times during this course. Details of your responsibilities are described in McCombs School's policy statement on scholastic dishonesty. Any violations of these policies will result in referral to the appropriate administrative body. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Examinations

- Daily quizzes
 - we will have short, about 15-minute, in-class quizzes on Tuesdays, Wednesdays, and Thursdays
 - each quiz be based on the topic of the previous day and will be similar to the previous day homework.
 - each quiz will also test the Essentials List. The Essentials List will be introduced by instructor in class and will include fundamental concepts and formulas from past topics
 - Failed or missed quizzes have to be taken again (for partial credit) during office hours until cleared
- Weekly tests
 - we will have longer, about 45-minute, in-class tests on Mondays
 - each test will be mostly based on the topics studied during the previous week but will also include questions
 - each test will also include questions based on Essentials List.
- Final exam
 - Final exam will be held on August 11, 9:00–12:00 noon

- Final exam will cover all the topics studied during the course

Grading Policy

There will be 20 daily homeworks, 15 daily quizzes, 4 weekly tests, and a final exam. Each assignment will be worth 100 points. The **total score** will be a weighted average of scores on homeworks, quizzes, tests, and the final exam. The weights are as follows

- homeworks - 2% per homework, i.e. 40% for all homeworks
- quizzes - 2% per quiz, i.e. 30% for all quizzes
- tests - 5% per test, i.e. 20% for all tests
- final exam - 10%

The grading weights are chosen to emphasize continuous work throughout semester.

The course letter-grade will be the best of the the absolute grade and the relative grade described below.

Absolute grade is determined by student's total score

- A if total score is greater than 90
- B if total score is greater than 75
- C if total score is greater than 60
- D if total score is greater than 30
- F if total score is less than 30

Relative grade is determined by relative rank of the student's total score:

- A if the total score is in the top 30% of the class
- B if the total score is in the top 70% of the class
- C if the total score is in the top 90% of the class
- D if the total score is in the top 95% of the class
- F if the total score is in the bottom 5% of the class

Please monitor your total score and your relative standing in class throughout semester. You should be able to see your grades, scores, relative standing, and class statistics on Blackboard.

All failed or missed quizzes must be cleared to get course letter grade above D.

Studying Suggestions

I suggest you follow this sequence in your studies for the course

1. Class meetings. Attend class meetings for the first pass over the new topic and actively try to intuitively understand the main ideas. Don't waste your time just sitting the lecture through, don't put away understanding until you read the textbook at home. Make conscious effort to understand right away, ask questions, and demand the instructor to repeat and explain until you get a fair idea. This way you will enjoy the class and will save out-of-class time.
2. Reading textbook. After class, on the same day, read through the assigned chapter of the textbook. Reading the textbook will fill in the important details and will cover the important ideas we did not have time to cover in class. Remember, during the homeworks, quizzes, tests, and final exam you are responsible for all the material covered in the assigned chapters even if it has not been discussed in class, unless instructor specifically excludes the material from the reading assignment.

3. Self-quiz. Make sure you understood the topic by answering self-quiz questions on Connect website.
4. Homework. When satisfied with your understanding of the topic, complete homework assignment on the Connect website.
5. Repeat reading and self-quiz if needed. If you had difficulty answering homework question, review the textbook and self-quiz question on Connect again to prepare for the next day quiz.
6. Before-class office hours. If questions about the studied topic still remain, come to the office hours before class to improve your understanding before the quiz in class.
7. Don't give up and move on until you get it. If the class have moved on to studying the next topic and you still have trouble about understanding the old material, please come to office hours for individual help. Don't give up on an unclear topic just because the homework is done, quiz is done, and the class moved on. Keep in mind that the future topics build on and elaborate on the past material. Moreover, quizzes, tests, and the final exam are all comprehensive, at least partially.

Course Schedule

Week number and topic	Date	Chapters of textbook	Topic
Week 1 - Investment Environment			
	July 9	1	The Investment Environment
	July 10	2	Asset Classes and Financial Instruments
	July 11	3	How Securities Are Traded
	July 12	4; Appendix B of chapter 7	Mutual Funds and Other Investment Companies
Week 2 - Portfolio Theory and Practice			
	July 16	5	Introduction to Risk, Return, and the Historical Record
	July 17	6 with Appendix A	Risk Aversion and Capital Allocation to Risky Assets
	July 18	7	Optimal Risky Portfolios

	July 19	8, 25	Index Models; International Diversification
Week 3 - Equilibrium in Capital Markets			
	July 23	9, except 9.5 and 9.6	The Capital Asset Pricing Model
	July 24	10	Arbitrage Pricing Theory and Multifactor Models of Risk and Return
	July 25	11	The Efficient Market Hypothesis
	July 26	12, 13	Behavioral Finance and Technical Analysis; Empirical Evidence on Security Returns
Week 4 - Fixed Income Securities; Security Analysis			
	July 30	14	Bond Prices and Yields
	July 31	15	The Term Structure of Interest Rates
	August 1	16	Managing Bond Portfolios
	August 2	17, 18	Macroeconomic and Industry Analysis; Equity Valuation Models
Week 5 - Security Analysis continued; Options, Futures, and Other Derivatives			
	August 6	19	Financial Statement Analysis
	August 7	20	Options Markets: Introduction
	August 8	21	Option Valuation
	August 9	22, 23	Futures Markets; Futures, Swaps, and Risk Management

Required Course Materials (more details and alternatives)

1. Textbook
 - Required textbook is “Investments **with Connect**” by Bodie, Kane, and Marcus, 9th edition, 2011, ISBN 9780077477561
 - Alternatively, you can purchase the textbook without Connect subscription, ISBN 9780073530703, and purchase Connect subscription for additional \$49 on the Connect website.
 - Although I recommend a hard copy of the textbook, you can purchase the ebook.
 - Online access to ebook is available through Connect website. Connect subscription costs \$120 if you don’t have the hard copy of the textbook.
 - If you’ve purchased the ebook elsewhere, e.g. CSMART or Amazon, you should be able to purchase Connect subscription for additional \$49. Please let me know if there is a problem with that.
2. Connect subscription
 - Subscription to Connect online service is a requirement for this course. Homeworks, quizzes, and tests will be assigned, completed, and graded electronically through Connect.
 - Please activate Connect subscription **immediately**. The first homework will be assigned on the first day of class and will be due on the same day has to be completed on Connect website. On the second day of class you will be ask to take a short quiz using Connect. Connect subscription has a three-week free trial period, and has to be purchased after that. Please go to the following website and follow the instructions to register on Connect <http://connect.mcgraw-hill.com/class/sergey>
3. Laptop
 - You will need bring a laptop to every class to complete quizzes and tests online through Connect system. If convenient enough for you, you can use a tablet PC or iPad, or a smartphone. You can borrow a laptop at the Media Services Office located in GSB 3.132. Please talk to the course instructor if you don’t have a portable computer and it is inconvenient to borrow a laptop from the Media Services.
4. Optional: Solution Manual
 - There is a Solution Manual for the problems in the textbook. If you are preparing for CFA exam or just want to get more problem solving practice, then consider purchasing Solution Manual. Also, feel free to approach the instructor for help.
5. Financial calculators are not required

Students with Disabilities

The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, please contact the Office of the Dean of Students at 471-6259, 471-4641 TTY.

