
FIN 367: Investment Management

Syllabus, Spring 2009

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Class Meetings

- **Section 1 (02890):** Monday and Wednesday, 8:00 AM – 9:15 AM. UTC 1.104.
- **Section 2 (02900):** Monday and Wednesday, 9:30 AM – 10:45 AM. UTC 1.104.
- **Section 3 (02910):** Monday and Wednesday, 11:00 AM – 12:15 AM. UTC 1.104.

Textbooks

Zvi Bodie, Alex Kane, and Alan Marcus (BKM), *Investments*, 8th Edition, McGraw Hill.

Student Solutions Manual to accompany *Investments*, McGraw Hill.

Peter Lynch, *One Up on Wall Street*, Simon & Schuster.

Office Hours

Monday, Wednesday, 1:30PM – 3:30PM. Tuesday, 8:30AM – 11:30AM, 1:30PM – 3:30PM. In addition, please feel free to stop by my office at **any time**. I am usually in the office from 7:00AM to 4:30PM. However, if you want to be sure I will be in the office when you come, please call me or send me an email to schedule an appointment.

Course Objectives

The goal of this course is to expose you 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. In addition, selected topics from the upcoming field of behavioral finance will be discussed throughout the course. If time permits, I will also carry out some experiments in class.

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.

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.

General Guidelines

- **Readings:** You are expected to have required readings completed **before** each class. This will include relevant sections from the BKM book, lecture notes, and journal articles.
- **Class Notes:** They will be posted on the course web site (UT Blackboard) prior to the lecture date. Hard copies of the notes will be provided in the class.
- **Practice Problems:** Suggested problems from the text will be assigned but they will not be graded. Please use the solutions manual to check your answers.
- **Active Participation:** I expect *all* students to actively participate in class and contribute to the learning process.

- *Be attentive:* At the end of the lecture, I will randomly pick a student and request him/her to summarize the lecture material and the class discussion.
- **Difficult Topics:** If you find certain sections of the course difficult, do not panic! I encourage you to discuss those topics with me and/or your friends. I have marked topics that students usually find difficult – one asterisk mark (*) for moderately difficult topics and two asterisk marks (**) for more difficult topics. Try to be more attentive when I am covering these sections in the class.
- **Review/Extra Sessions:** When necessary and on demand, I will conduct review sessions to cover difficult topics in a little more detail. I might also discuss certain basic Mathematical concepts (e.g., Calculus). Of course, your attendance in review sessions is optional.
- **Attendance:** Attendance will not be taken. However, you are responsible for all material presented in class.
- **Laptop Policy:** Please do not use your computer during the lectures without my prior approval.
- **Continuous Feedback:** I encourage you to give me feedback about the course material, my teaching style and anything else that would help you learn the course material better. You should come and talk to me in person if you have any concerns and/or suggestions. However, if that makes you uncomfortable, you can send me an anonymous email from a class email account that I have created at www.hotmail.com. Login: **fin367ut**, Password: **“kumar367”**.

Examinations and Grading

- **Examinations:** There will be four exams (1 hour, 15 minutes) and five very short quizzes (15-20 minutes) during the semester. All exams and quizzes will be held during regular class hours.
 - No make-up exams or quizzes will be given but I will consider your **three best exam scores** and **four best quiz scores** for grading.
 - There will be **no final examination**.

- **Optional oral test:** At the end of the semester you will have the option of taking an oral test if you believe your grade is inconsistent with your knowledge of the course material. The oral test cannot decrease your grade but it *might* increase your grade by one level. *Last year*, 12 students took the oral test and I changed the grade of 4 students (three cases of B to A change, one instance of C to B change).
- The difficulty level of tests will vary during the semester. The topics I will cover in the beginning of the semester are relatively easier and hence, you are likely to find the first exam and the first quiz relatively less challenging. However, please do not form your expectations about other exams based on the first quiz/exam.

- **Grading Policy:**

- Maximum Possible Score = 500.
- *Four examinations:* 300 points or **60%** of your grade. I will drop your lowest exam score as long as you score 50% or above on that exam. Thus, each exam would be worth 20% of your grade.
- *Five short quizzes:* 100 points or **20%** of your grade. I will drop your lowest quiz score. Thus, each quiz would be worth 5% of your grade and the quizzes combined would be equivalent to one exam.
- *Three Projects:* 100 points or **20%** of your grade. There will be two group projects (40 points or 8%) and an individual project (60 points or 12%) based partially on Peter Lynch's book. Please read Peter Lynch's book as soon as you can.

- **Grade Distribution:** About 35-40% A, 50% B, and 10% C. *Last year*, the grade distribution was roughly as follows: 45% A, 45% B, 10% C.

- Although grading is relative, you should get an A if you score above 90%. 80% and above should ensure a B grade.

How to Study for the Class?

- Mainly focus on the lecture notes.

- Read the BKM textbook for background information and get a broader perspective on the topics covered in class.
- Use the practice problems to gain further understanding of the basic concepts. Please do not expect the quiz/exam questions to be like the practice problems.
- To form better expectations about quizzes/exams and to prepare for them, please look at the practice quizzes and exams.

Main Topics

1. **Basic Investment Concepts:** 4 lectures and 1 exam

Suggested Readings: BKM, Chapters 1-4

- Introduction: 1 lecture
- Types of Securities and Securities Trading: 2 lectures
- IPOs, Mutual Funds: 1 lecture
- *Quiz 1: February 2*
- **Exam 1: February 9**

2. **Portfolio Theory and Asset Pricing:** 8 lectures and 1 exam

- Modeling Uncertainty (**): 2 lectures;
Suggested Readings: None. Focus on class notes
- Portfolio Theory (**): 3-4 lectures;
Suggested Readings: BKM, Chapters 5-7, 25
- Asset Pricing: CAPM and APT (*): 2 lectures;
Suggested Readings: BKM, Chapters 8-10
- *Quiz 2: February 18; Quiz 3: March 2*
- *Group Project 1: Due March 9; Group Project 2: Due March 30*
- **Exam 2: March 11.**

***** **SPRING BREAK** *****

3. **Security Valuation, Market Efficiency, and Behavioral Finance:** 8 lectures and 1 exam

- Performance Evaluation and Market Timing (*): 2 lectures.

Suggested Readings: BKM, Chapter 24

- Security Valuation: 1 lecture;

Suggested Readings: BKM, Chapter 18

- Bond Pricing: 1 lecture;

Suggested Readings: BKM, Chapters 14-16

- Efficient Market Hypothesis (*): 1 lecture;

Suggested Readings: BKM, Chapter 11

- Behavioral Finance: 2-3 lectures;

Suggested Readings: BKM, Chapter 12. Journal articles

- *Quiz 4: April 6*

- **Exam 3: April 20**

- **Individual Project: Due April 15**

4. **Options and Futures:** 4 lectures and 1 exam

Suggested Readings: BKM, Chapters 20-22

- Basic Concepts: 2 lectures

- Binomial Model (**): 1 lecture

- Black-Scholes Model (*): 1 lecture

- *Quiz 5: April 29*

- **Exam 4: May 6**

This is only a tentative list of topics that I plan to cover during the semester. I may add or delete topics from this list as the semester progresses. You are responsible for any changes I announce in the class.