

INVESTMENTS

FINC 3640-002, Harbert College of Business, Auburn University
Spring 2014, MWF, 9:00AM – 9:50AM (Lowder 33)

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COURSE DESCRIPTION AND OBJECTIVES

This course is designed to study the theories and techniques of investment analysis for the selection and evaluation of investments. The contents of this course will provide an essential knowledge and understanding to students who are interested in a career related to investments. Topics include securities and markets, portfolio management, asset pricing theories, bond management, security analysis, and derivatives.

COURSE MATERIALS

- Required Textbook: Essentials of Investments, Z. Bodie, A. Kane, A. Marcus, 9th ed., McGraw-Hill.
- Recommended Reading: Wall Street Journal, BusinessWeek, Fortune, and other publications.
- Useful Websites: WSJ, Financial Times, Forbes, Yahoo! Finance, CNNMoney, CNBC, Investopedia, and other sites.

STUDENT RESPONSIBILITIES

Class sessions will be structured to include extensive discussion of concepts and problems. Regular class participation is a primary requirement for this course. You are expected to contribute by asking and answering questions. This means it is important to come to *each* class prepared to actively participate in the discussion. If you miss class, it is your responsibility to get the information covered during your absence. You need to visit regularly the class homepage where you can see the course syllabus, slides, homework, and some important announcements. In addition, exam grades will be posted on the class homepage.

EVALUATION

You will be evaluated according to your performance on three exams, a team project, and homework. The final grade for the course will be determined as follows:

Homework:	10%
Team Project:	10%
Exam 1:	25%
Exam 2:	25%
Final Exam:	<u>30%</u>
	100%

Your course grade will be based on the weighted average score you receive using the following scale (**no rounding**).

$A \geq 90$

$90 > B \geq 80$

$80 > C \geq 70$

$70 > D \geq 60$

$60 > F$

- **Exams:** Three exams will be given during the term. Each exam will test your understanding of concepts and theories as well as problem-solving methods. The specific dates for the exams are scheduled in the course outline, and you must take the exams on these dates.
 - **Study note:** One letter-size (8½ x 11, both sides) study note is allowed. It must be simply hand-written. Photocopying, typing, and copying the course slides are not allowed.
 - **Makeup exams:** If you have a university excused conflict, you must let me know in writing at least *one week* in advance, and I will set a time for a makeup. Documentation will be necessary. Failure to provide documentation and notice, your exam will result in a zero grade. If you miss an exam due to illness, you should contact me as soon as possible. Doctor's excuses are only valid if a doctor examines you in person at the time of your illness. You must bring me a written excuse that contains the doctor's contact information. Makeup exams will be scheduled on Friday afternoons at 3PM in the week of the original exam. If you miss the makeup exam without another excuse, you will get a zero grade for that exam.
- **Homework:** After you cover Chapter 6 (Efficient Diversification), you will be able to construct a nice portfolio given any risk tolerance. This will be an essential part of a job for a financial advisor. We will practice this sophisticated work in the Tiger Lab, and you will have a similar project as homework.
- **Team project:** One project will be assigned after we complete the portfolio theory chapters. The project requires you to evaluate the performance of some well-known mutual funds. Detailed instructions and the due date will be provided via the class homepage. The main purpose of this project is to apply important investment concepts and useful tools that are covered in the course. Remember it is a teamwork project and you will have to actively work with your team members.
- **Bonus points:** I will provide you bonus points based on your attendance. The bonus points are computed by: ($\#$ of attended classes / $\#$ of classes throughout the course) x 10. I will collect a roll in each class except for the test days. If you are absent due to illness or with any university excused conflict, provide me a doctor's note or any related documentation. You will have the absence waived and will be considered present for that missed class. Finally, the attendance bonus points will be added to your final exam scores. That is, you can make up to 110 points (= 100 from the final exam + 10 from the bonus points) in the final exam.

Important: Final grades are final. If you need to pass the class or earn a certain grade, you must talk to me before the final exam. You may withdraw until mid-semester.

TENTATIVE COURSE OUTLINE

No	Date	Topic	Reading
1	1/8	Course Overview	
2	1/10	Investments: Background and Issues	Chapter 1
3	1/13	Investments: Background and Issues (Continued)	Chapter 1
4	1/15	Asset Classes and Financial Instruments	Chapter 2
5	1/17	Asset Classes and Financial Instruments (Continued)	Chapter 2
M. L. King Jr. Day			
6	1/22	Securities Markets	Chapter 3
7	1/24	Securities Markets (Continued)	Chapter 3
8	1/27	Mutual Funds and Other Investment Companies	Chapter 4
9	1/29	Mutual Funds and Other Investment Companies (Continued)	Chapter 4
10	1/31	Risk and Return: Past and Prologue	Chapter 5
11	2/3	Risk and Return: Past and Prologue (Continued)	Chapter 5
12	2/5	Risk and Return: Past and Prologue (Continued)	Chapter 5
13	2/7	Efficient Diversification	Chapter 6
14	2/10	Efficient Diversification (Continued)	Chapter 6
15	2/12	Efficient Diversification (Continued)	Chapter 6
16	2/14	Tiger Lab – Homework: Portfolio Construction	Chapters 5 – 6
17	2/17	Exam 1: Chapters 1 – 6	
18	2/19	Capital Asset Pricing and Arbitrage Pricing Theory	Chapter 7
19	2/21	Capital Asset Pricing and Arbitrage Pricing Theory (Continued)	Chapter 7
20	2/24	The Efficient Market Hypothesis	Chapter 8
21	2/26	The Efficient Market Hypothesis (Continued)	Chapter 8
22	2/28	Behavioral Finance and Technical Analysis	Chapter 9
23	3/3	Behavioral Finance and Technical Analysis (Continued) / Homework Due	Chapter 9
24	3/5	Bond Prices and Yields	Chapter 10
25	3/7	Bond Prices and Yields (Continued)	Chapter 10
Spring Break			
26	3/17	Managing Bond Portfolios	Chapter 11
27	3/19	Managing Bond Portfolios (Continued)	Chapter 11
28	3/21	Tiger Lab – Team Project: Fund Evaluation	Chapters 7 – 9
29	3/24	Exam 2: Chapters 7 – 11	
30	3/26	Macroeconomic and Industry Analysis	Chapter 12
31	3/28	Macroeconomic and Industry Analysis (Continued)	Chapter 12
32	3/31	Equity Valuation	Chapter 13
33	4/2	Equity Valuation (Continued)	Chapter 13
34	4/4	Tiger Lab – Equity Valuation	Chapter 13
35	4/7	Financial Statement Analysis	Chapter 14
36	4/9	Financial Statement Analysis (Continued) / Team Project Due	Chapter 14
37	4/11	Options Markets	Chapter 15
38	4/14	Options Markets (Continued)	Chapter 15
39	4/16	Options Markets (Continued)	Chapter 15
40	4/18	Option Valuation	Chapter 16
41	4/21	Option Valuation (Continued)	Chapter 16
42	4/23	Futures Markets and Risk Management	Chapter 17
43	4/25	Futures Markets and Risk Management (Continued)	Chapter 17
44	4/28	Final Exam: Chapters 12 – 17 (8:00AM – 10:00AM)	

IMPORTANT NOTES

- Prerequisites: You are required to have successfully completed FINC 3610 (Principles of Business Finance) or FINC 3617 (Honors Principles of Business Finance). In addition, you must be eligible to take College of Business courses.
- In case of a campus-wide disruption that requires campus closure, you should be directed to the class homepage for all course communication and for the continuation of work.
- If you request special accommodations due to a disability, please discuss those needs with me as soon as possible. You should first contact the Program for Students with Disabilities in Haley Center and obtain an Accommodation Memo.
- Academic Honesty: You are responsible for maintaining and adhering to the strictest standards of honesty in every aspect of your lives. Honest in academic matters is a large part of your obligation. The University Academic Honesty Code is found in Chapter 1200 of the Student Government Association Code of Laws and in the Tiger Cub.
- Diversity at Auburn University encompasses the whole of human experience and includes such human qualities as race, gender, ethnicity, physical ability, nationality, age, religion, sexual orientation, economic status, and veteran status. These and other socially and historically important attributes reflect the complexity of our increasingly diverse student body, local community, and national population. Auburn University recognizes and values the considerable educational benefits emanating from diversity as we prepare our students for life and leadership in a multicultural world. Students who interact with and learn about people from a variety of backgrounds are more apt to understand, appreciate, and excel in the community they inhabit. In this context, diversity is aligned with Auburn University's land grant mission of providing its students with a superior education in service to the needs of Alabama, the nation, and the world. Contact the Office of Diversity at www.auburn.edu/diversity.