

FINA 4310: Survey of Investments
Syllabus¹
FALL 2007, TR (28072)

Instructor Contact Information

Prof. Steve Ahn
Office: #TBD / by appointment pre/post class
Email: steveahn@uga.edu / ph: 678-468-6421

Class Time & Place

Tue & Thur evenings, 8:00 – 9:15
Gwinnett University Center
Class Room A-1380

Course Description: This course is a survey of the securities markets, investor objectives, introduction to portfolio theory and the analytical tools of portfolio management, and an examination of investment alternatives. As a real-world and theory-based course, core concepts include measures of risk, diversification and risk management, and expected returns. Additional topics will also include equilibrium models of security prices (primarily the capital asset pricing model and arbitrage pricing theory), the empirical behavior of security prices, market efficiency, performance evaluation, and behavioral finance. This course is not a “stock picking course.”

Prerequisites: FINA 3000 and either MSIT 3000 or STAT 3000. Moderate statistics proficiency such as standard deviation, covariance, and correlation. Beginner Excel proficiency such as creating cell references to compute formulas and creating two dimensional multi-series graphs. Prerequisite material may be briefly reviewed but will not be taught.

Course Objectives: By the completion of this course, the student should:

- Be able to evaluate and frame investment decisions
- Understand how financial markets function including a thorough and practical knowledge of classes of securities in both domestic and foreign markets
- Understand market efficiency and its effects on investment management
- Understand asset pricing models and their applications
- Understand ways to manage an investment portfolio of individual securities with the aim of achieving specific investment objectives involving target returns and risk tolerance

Course Materials:

- Required - Essentials of Investments by Bodie, Kane & Marcus; 2007, 6th ed. McGraw-Hill; ISBN-13:9780073041537.
- Recommended – textbook website² Chapter Overview, Chapter Summary, and Power Point documents; these are supplemental to and not the basis of the lectures.
- Recommended – Any of *The Financial Times*, *Barron's*, and/or *The Wall Street Journal*

Grading: The grade earned is based on the higher of Weighting 1 or 2 below. Grading disputes over any single item other than for errors will be resolved with a complete re-grading of the entire deliverable to arrive at the revised higher/lower/same grade.

	<u>Weighting 1</u>	or	<u>Weighting 2</u>
Group Projects	35%		25%
Quizzes	30%		5%
<u>Exam (cumulative)</u>	<u>35%</u>		<u>70%</u>
Course Grade	100%		100%

¹ This syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

² http://highered.mcgraw-hill.com/sites/007304153x/student_view0/index.html

All grades are calculated without rounding or curving, up or down. Final course letter grade cutoffs are as follows:

≥ 92.5 is A	≥ 87.5 is B+	≥ 77.5 is C+	≥ 60 is D
≥ 90.0 is A-	≥ 82.5 is B	≥ 72.5 is C	< 60 is F
	≥ 80.0 is B-	≥ 70.0 is C-	

Group Projects

The class will work together as a single group to perform the group projects.³ The Group Projects part of the course grade will be composed of two equally weighted projects and a peer grade. Regardless of the weighting of the Group Projects component of the course grade, the peer grade will be five percentage points of the Group Projects component of the course grade. The grade for each project will be assigned to each member listed on the turned-in project subject to instructor's verification and adjustment if applicable.

Projects must be turned in by emailing the instructor the Excel and Word files before the start of the class on the given deadline date. The date/time stamp receipt in the instructor's email will be the record of when the project was turned in. It is recommended that projects be turned in early, since late projects will be graded as zero.

Formatting is not a priority, but poor readability will hurt the grade. Excel spreadsheets with inputted values instead of formula-based calculations and functionality will earn no credit. Examples of appropriate project work will be shown in class.

Project 1 – Portfolio optimization. Aug. 23rd – Sep. 20th

Choose any two US stocks. Using Excel and LTM daily stock prices, (i) calculate and graph 20 points on the efficient frontier,⁴ (ii) calculate and graph the capital allocation line assuming a treasury yield of 4.5%, (iii) calculate the allocations for the optimal risky portfolio, (iv) plot the optimal risky portfolio on the graph, (v) calculate the allocations for the minimum variance portfolio amongst the 20 points on the efficient frontier, and (vi) plot the minimum variance portfolio on the graph. Only (i) above must be graphed with Excel; other requirements may be graphed or plotted by hand.

Project 2 – Stock valuation. Sep. 21st – Nov. 29th

Choose any DJIA stock and (i) compute its value using Excel by applying discounted cashflow⁵ and comparables⁶ methods and (ii) participate in the class case study discussion focusing on reasons for differences between the computed and the actual prices.

Peer grade – To be emailed when each project is turned in.

When each project is turned in by email, each group member will separately email the instructor a score from 0 (worst) to 5 (best) for each of his/her teammate's performance on that specific project. Anyone who fails to turn in a peer grade will receive a zero for their peer grade on that project. Peer grades will be confidential. The average of all peer grade scores for all projects will be the peer grade component of the Group Projects grade.

³ Subject to course enrollment

⁴ Estimate the expected return on each stock based on a "yield + risk premium approach"

⁵ Assume last reported financials repeat for five years; thereafter terminal year free cashflow grows at 3.5%; risk free rate equals 4.5%; use CAPM to calculate cost of equity; use any published Beta

⁶ Use only the PE ratio for two other comparable companies

Quizzes & Exam

The Quizzes component of the course grade will be the average of three equally weighted quizzes. The quizzes will focus on problem solving, last no more than 40 minutes, and help you keep up with the material as you work on projects and eventually prepare for the exam.

The exam will be cumulative and consist of multiple choice, short answer, and problem solving. The primary emphasis will be on lectures and quizzes. Content from the guest lecture may appear on the exam. A student-led review will be held on the last class date.

For the quizzes and the exam, each student will be allowed one 8½ x 11 sheet of paper for anything he/she wishes to *write* on the front and back; using a sheet with any typed or photocopied content is prohibited. Students are responsible for obtaining an approved calculator; cell phone-, PDA-, or multi-function devices are prohibited.

An unexcused absence or quiz or exam is graded as a zero.

Other Course Policies:

Homework - Students are required to complete all homework though it will not be graded. Lectures will concentrate on interpretation and application, not introduction. Homework will consist of (i) familiarization of chapters prior to class, (ii) review of previous lecture content, and (iii) completion of selected end-of-chapter problems.

Class participation - Questions should not be readily answerable from a cursory review of the text or notes or from basic prerequisite knowledge. Consistent meaningful participation can result in up to *four points* added to the final course grade. Lack of participation will not impact a student's grade. Consistent participation is not possible without consistent attendance.

Attendance - Attendance is required but not graded. An attendance sheet will be circulated during each class. It is the student's responsibility when present to sign the sheet. Poor attendance will not affect a student's grade except in the case of missed graded requirements. Specifically, (i) students must inform the instructor in advance of a potential absence; (ii) no excuse will be considered without relevant documentation as applicable; (iii) any absence not due to a compelling reason beyond the control of the student as determined by the instructor will be treated as an unexcused absence and will result in a zero score for the requirement.

Honor Code - All students must abide by the University Honor Code. Any violation will be reported to the Office of Academic Affairs. Furthermore, all academic work must meet the standards contained in "A Culture of Honesty." Students must inform themselves about those standards before performing any academic work.

Course Outline:

Date	Chap	Primary Topic(s) / Requirements		
Aug	16	1,2	Financial markets, security types, value & price indices	
	21	3, 4, 5	Security issuance, trading, exchanges, investment companies, inflation, EAR, CAL	
	23	5, 6	Efficient diversification, covariance, correlation, optimal & complete portfolios	
	28	6	Prior lecture continued including Excel demo for Project 1	
	30	6, 7	CAPM, multi-factor models, APT	
Sep	4	7, 8	Implications of efficient markets, anomalies, weak & strong form arguments	
	6	8, 9	Bond mechanics, pricing, yield estimation, yield curves, expectations theory	
	11	9	QUIZ 1 (ch 1-7) Prior lecture continued	
	13	10	Duration, immunization, convexity	
	18	10	Prior lecture continued; project work	
	20	11, 12	PROJECT 1 & PEER GRADE DEADLINE No class lecture on chap 11; equity valuation methods	
	25	12	Prior lecture continued	
	27	12	Excel demo for Project 2	
	Oct	2	13	QUIZ 2 (ch 9-10) EVA and MVA; no lecture on chap 13
		4	14, 15	Option payoffs, strategies, option-like securities, option valuation, put-call parity
9		14, 15	Prior lecture continued	
11		16	Futures mechanics, strategies, spot-futures parity, swaps	
16		16	Prior lecture continued	
18		17	Jensen-Sharpe-Treynor; component contribution, market timing, Treynor-Black	
23		17	QUIZ 3 (ch 14-16) Prior lecture continued	
25		--	Fall break	
30		19	Behavioral finance, technical analysis	
Nov		1	19	Prior lecture continued
	6	18	International investing and diversification	
	8	21, 20	Investment planning & strategy; taxes, inflation	
	13	21, 20	Prior lecture continued	
	15	21, 20	Guest Speaker	
	20	--	Project work	
	22	--	Thanksgiving Break	
	27	21, 20	Personal financial planning	
	29	--	PROJECT 2 & PEER GRADE DEADLINE Class case study discussion	
Dec	4	--	No class; the University shall operate a Friday class schedule	
	6	--	Student-led review	
	TBD	All	CUMULATIVE EXAM; date, time, place to be announced	

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About the instructor: Steven Ahn is a Partner of AbacusTD LLC, a corporate finance consulting firm and has over 15 years experience as an investment banker, consultant, and educator. As an educator, Mr. Ahn has taught MBAs at the Univ. of TX and Pepperdine Univ. and undergraduates at Emory Univ. and California State Univ. Mr. Ahn's courses include Investments, Corporate Finance, International Finance, Mergers & Acquisitions, Venture Capital, Financial Modeling, Entrepreneurial Finance, Financial Theory, Capital Markets, and International Accounting. Mr. Ahn has also conducted training for four FORTUNE 500 firms as well as for NASD and SEC securities licensees. He is an editorial reviewer for publisher McGraw-Hill and the author of Modern Global Cash Management (second edition 1996, 402 pg). Mr. Ahn earned his MBA from the Wharton School (Univ. of PA) and his BA from Emory Univ. jointly with London Guildhall Univ. and Yonsei Univ. – Seoul.