

FINN 3222-001
INVESTMENTS
Fall 2014

Instructor: Sailu Li

Time and Location: 12:30 - 1:45PM, Wednesday and Friday, Friday 116

Contact: Friday 272A, 704-687-5447

Email: sli20@uncc.edu

Office Hours: Tuesday and Wednesday 2:00 - 3:30PM or by appointment

Textbook: *Essentials of Investments*, Ninth Edition

Authors: Zvi Bodie, Alex Kane and Alan J. Marcus

Publisher: McGraw-Hill/Irwin

Prerequisites: FINN 3120 (Financial Management)

Course Objective:

This course provides an understanding of the nature of the capital markets, portfolio theory and financial instruments. The purpose of the course is to learn how investors can use different financial assets to meet their financial goals, which involves birds' eye view of financial market, portfolio choice, bond and equity evaluation, and risk management. The focus is mostly on determining the value of equity and fixed income securities. We'll also introduce the use of derivatives to mitigate risk/hedging.

Course Material

This class uses *Moodle* to post most class material including, but not limited to, announcements, class slides, homework, etc. Students are responsible for checking their UNCC student e-mail and *Moodle* regularly for important information.

Calculator Policy:

Much of the course involves quantitative analysis. Please bring a calculator with financial functions to every class. Texas Instruments BA II Plus (including BA II Plus Professional) will be the calculator model used in classroom demonstrations. You may also consider Hewlett Packard 12C (including the HP 12C Platinum, 12C Platinum 25th anniversary edition, 12C 30th anniversary edition, and HP 12C Prestige). These two are excellent choices and are authorized for use during CFA[®] exams. For convenience, set the display format to four decimal places and the compounding frequency to 1x per period.

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Grading Basis:

	Points	Percentage
Midterm 1 & 2	200 points	40%
Final(Dec.10th)	150 points	30%
Homework	75 points	15%
Required Project	75 points	15%
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	500 points	100%
Attendance	25 points	5%
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Total	525 points	105%

	Absolute Score	Percentage
A	above 450 points	105-90%
B	400-449 points	89-80%
C	350-399 points	79-70%
D	300-349 points	69-60%
F	below 300 points	below 60%

Test Policy:

Questions on two midterms and one final are provided as multiple choice problems. Midterm 1 is based on material covered before it. Midterm 2 is based on material covered after Midterm 1 but before Midterm 2. Final will be cumulative and based on material covered throughout the semester, with an emphasis on the material covered after Midterm 2.

For the two midterms, each is graded out of 100 points. The midterm exam with higher grade receives a higher weight (30%) while the other receives a lower weight (10%). Altogether, the two midterms weigh 40%. Final is graded out of 150 points, which weighs 30% towards overall course grade.

- All tests are closed-book. But students are allowed to bring ONE 8.5"-by-11" (letter-sized) paper containing notes, formulae, etc. into each test. You may use both sides of the paper.
- Students cannot share calculators. If you forget your calculator, you must complete the test without the aid of a calculator.
- Students arriving late for the test may begin the test providing that no other student has turned in the test. Once a test has been turned in, late students are not permitted to take the test. No extra time will be given for students late for a test.
- If you have to go out of the classroom during the test, please leave your test paper, answer sheet, formula sheet, calculator and smartphones at the front desk. You can pick them up when you come back.

Test Make-up Policy:

All students are expected to take all tests firmly scheduled. **No makeup midterm exams will be given.** If you miss a midterm exam for a legitimate reason: (1) written proof must be provided. **Remember excused absences must provide a written proof from the appropriate official(s) indicating the exact dates for which exam was or will be missed.** Examples of acceptable reasons are: medical (minor illnesses not included, i.e. a cold), death or serious illness of family members, major traffic accident, athletes and others who represent the university on a regular basis; (2) your missed midterm grade will be replaced by your final exam **correct percentage.** If you miss the final for a legitimate reason, you will be given an “Incomplete” and a makeup final will be arranged accordingly. **Students miss a test with unexcused absences will receive a score of zero.**

Homework:

Homework will be assigned periodically throughout the semester via Moodle. It's due at the beginning of the class on the written due date in hard copy. Late homework will not be accepted. Scanned homework can only be accepted upon validated reasons. Students are encouraged to work in groups to discuss homework, however, each homework has to be completed and submitted independently. Your lowest homework grade will be dropped and all the rest homework grades will be averaged to count for 15% of the final grade (75 points).

Project:

Project is introduced to help you link theory to practice. You need to form a group of 1-2 students and you have two options described below. **Each group has to send me an e-mail about the option you choose and your group member list by Oct.1st. The project report is due on the last day of classes, Dec.3rd. No late report will be accepted.** Project grade counts for 15% of the final grade (75 points).

1. News Analysis

- Pick a piece or several related pieces of financial news (within 5 years) of your interest. If you want to pick a series of news, at least one of them has to be less than 5 years old.
- Analyze your news using the theories introduced in the class such as Capital Asset Pricing Model, Efficient Market Hypothesis, behavioral finance, agency theory, etc.
- Your report needs to have at least the following three sections: (1) brief summary of the news you've picked; (2) review of the theory you want to connect it with; (3) state the connection between the news and theory. Does the story fit into the theory? Why or why not?
- Please be advised that most news are related to several theories. You should try your best to make the analysis as thorough as possible.

2. Stock Analysis

- Pick a publicly traded stock of your interest. Download five years of monthly closing prices of your stock from **finance.yahoo.com** or any other financial website.
- Do a thorough security analysis of your stock using the tools introduced in the class such as Risk and Return Analysis, Sharpe Ratio, Capital Asset Pricing Model, etc. Please try to incorporate as much analysis as possible using the theories introduced in the class.
- If you're going to build a diversified equity portfolio starting from your stock, what other stock(s) would you choose (25 stocks maximum) and **why**? Based on your choice, show the performance of the portfolio you've built.
- Your report needs to have at least the following four sections: (1) brief description of the stock and company background; (2) quantitative analysis of the stock for the past 5 years; (3) construction of portfolio (include weight of each stock) and portfolio performance in the past 3 months; (4) what is your expectation of your portfolio performance in the next year?
- You might need to download five-year monthly S&P 500 index(market portfolio) or some other general market indicators such as Fama-French factors. Please come to me if you need help in locating the necessary data.

Attendance:

A sign-in sheet will be passed around each class to mark attendance. It is your responsibility to make sure you've signed up on your attendance day. If you miss a class for a legitimate reason (please refer to above) and want to have the missed attendance made up, please provide a written proof for a waiver. You are responsible for all announcements and material covered in your missed class(es). All attendance will be averaged to count for 5% bonus of the final grade (25 points).

Important Dates:

Last Day to Audit	Aug.27th
Labor Day(University Closed).....	Sep.1st
Project and Group Decision.....	Oct.1st
Student Fall Recess-No Classes	Oct.6th-7th
Drop Deadline for All Courses	Oct.20th
Thanksgiving Break	Nov.26th-29th
Project Report Due	Dec.3rd
Midterm 1	Sep.10th
Midterm 2	Oct.17th
Final Exam	Dec.10th 11:00-1:30PM

Codes of Conduct:

It is your responsibility to be fully and accurately informed of University policies, including, but not limited to, rules regarding dropping and adding classes, graduation requirements, and student conduct. The Dean of Students Office is the authoritative source for these policies.

Regular attendance, promptness and appropriate classroom decorum is expected. Frequent tardiness or disruptive classroom behavior may result in a substantial grade penalty at the discretion of the instructor. Any use of cell phones during class is disruptive and will not be tolerated.

Students have the responsibility to know and observe the requirements of the **UNC Charlotte Code of Student Academic Integrity**. This code forbids cheating, fabrication or falsification of information, multiple submissions of academic work, plagiarism, abuse of academic materials, and complicity in academic dishonesty. Any special requirements or permission regarding academic integrity in this course will be stated by the instructor and are binding on the students. Students are expected to report cases of academic dishonesty to the course instructor.

Disability:

If you have a disability that affects your ability to do the work in this course, please contact the Office of Disability Services to obtain a Letter of Accommodation in the first week of the semester and provide it to the instructor. The office is 230 Fretwell and the phone number is 704-687-4355.

Diversity:

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

Extremely Tentative Schedule:

Week 1	8/20 8/22	Syllabus Ch 1: Investments: Background and Issues
Week 2	8/27 8/29	Ch 2: Asset Classes and Financial Instruments Ch 3: Securities Markets
Week 3	9/3 9/5	Ch 4: Mutual Funds and Other Investment Companies Midterm 1 Review
Week 4	9/10 9/12	Midterm 1 Ch 5: Risk and Return: Past and Prologue
Week 5	9/17 9/19	Ch 5 (continued) Ch 6: Efficient Diversification
Week 6	9/24 9/26	Ch 6 (continued) Ch 6 (continued)
Week 7	10/1 10/3	Ch 7: CAPM and APT; Project/Group Choice Due Ch 7 (continued)
Week 8	10/8 10/10	Ch 8: The Efficient Market Hypothesis Ch 8 (continued)
Week 9	10/15 10/17	Midterm 2 Review Midterm 2
Week 10	10/22 10/24	Ch 9: Behavioral Finance and Technical Analysis Ch 9 (continued)
Week 11	10/29 10/31	Ch 10: Bond Prices and Yields Ch 11: Managing Bond Portfolios
Week 12	11/5 11/7	Ch 11 (continued) Ch 13: Equity Valuation
Week 13	11/12 11/14	Ch 13 (continued) Ch 15: Options Markets
Week 14	11/19 11/21	Ch 16: Option Valuation Ch 16 (continued)
Week 15	No Classes-Thanksgiving Break	
Week 16	12/3	Final Exam Review; Project Report Due
Week 17	12/10	11:00-1:30pm Final Exam