

FINN 3222-001
INVESTMENTS
Fall 2015

Instructor: Sailu Li

Time and Location: 12:30 - 1:45PM, Wednesdays & Fridays, Friday 106

Contact: Friday 393, 704-687-7451

Email: sli20@uncc.edu

Office Hours: Wednesday and Thursday 2:00 - 3:00PM 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.16th)	150 points	30%
Required Project	100 points	20%
Homework	50 points	10%
Total	500 points	100%

	Absolute Score	Percentage
A	above 450 points	above 90%
B	400-449 points	80-89%
C	350-399 points	70-79%
D	300-349 points	60-69%
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) if you miss one midterm for a legitimate reason, your missed midterm grade will be replaced by the other midterm grade. If you miss both midterms for a legitimate reason, 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 via Moodle after each chapter is covered. Each homework contains 10-20 multiple choice questions. It's due at 12:30PM on the due date indicated. It's your responsibility to gain access to Moodle and submit your homework online on time. **Late homework will not be accepted.** Your lowest homework grade will be dropped and all the rest homework grades will be averaged to count for 10% of the final grade (50 points).

Project:

Project is introduced to help you link theory to practice. You need to form a group of 2-3 students. **The group formation has to be finalized by Oct.2nd. Each group needs to send me an e-mail about the group composition together with the desired presentation date (12/2 or 12/4). The project report and related work such as Excel file is due on the last day of classes, Dec.9th. No late report will be accepted.** Project grade counts for 20% of the final grade (100 points).

- 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. *Note: no ETF is allowed in the portfolio.*

- 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 and the company 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.
- **Each group will need to present their project for 10-15 minutes on either Dec.2nd or Dec.4th. Dress Code: business formal. Bonus points will be given to the top three groups according to class vote.**
- **The project will be graded based on the quality of the written report as well as group presentation.**

Important Dates:

Last Day to Audit	Sep.2nd
Labor Day(University Closed).....	Sep.7th
Fall Break	Oct.12th - Oct.13th
Drop Deadline for All Courses	Oct.27th
Midterm 1.....	Sep.16th
Midterm 2.....	Oct.14th
Final Exam.....	Dec.16th 11:00-1:30PM

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.

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.

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	8/26 8/28	Syllabus Ch 1: Investments: Background and Issues
Week 2	9/2 9/4	Ch 2: Asset Classes and Financial Instruments Ch 3: Securities Markets
Week 3	9/9 9/11	Ch 4: Mutual Funds and Other Investment Companies Midterm 1 Review
Week 4	9/16 9/18	Midterm 1 Ch 5: Risk and Return: Past and Prologue
Week 5	9/23 9/25	Ch 5 (continued) Ch 6: Efficient Diversification
Week 6	9/30 10/2	Ch 6 (continued) Ch 7: CAPM and APT
Week 7	10/7 10/9	Ch 7 (continued) Midterm 2 Review
Week 8	10/14 10/16	Midterm 2 No Classes
Week 9	10/21 10/23	Ch 8: The Efficient Market Hypothesis Ch 9: Behavioral Finance and Technical Analysis
Week 10	10/28 10/30	Ch 10: Bond Prices and Yields Ch 11: Managing Bond Portfolios
Week 11	11/4 11/6	Ch 13: Equity Valuation Ch 13 (continued)
Week 12	11/11 11/13	Ch 15: Options Markets Ch 16: Options Valuation
Week 13	11/18 11/20	Ch 16 (continued) Overflow Class
Week 14		Thanksgiving Break-No Classes
Week 15	12/2 12/4	Presentation Presentation
Week 16	12/9	Final Exam Review
Week 17	12/16	Final Exam: 11:00-1:30pm