



**QUINLAN**  
SCHOOL of BUSINESS

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Finc 335 - Section 102, Investments, Spring 2014  
Tu & Th 10:00 am - 11:15 am, Corboy Law Center 420

Instructor: Professor L. Hong  
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Office Hours: Tu & Th 12:50 pm - 2:45 pm or by appointment

#### Catalog Description:

This course is an introductory course of capital market theory which includes the topics of risk and return analysis of stocks, bonds and cash equivalents; modern portfolio theory; bond pricing, the term structure of interest.

#### Overview:

This is an introductory course in investments. We will lay out the current environment for investments in financial assets and discuss the characteristics that differentiate various financial assets such as bonds and stocks. Based on these different characteristics, we will explore valuation models for these financial assets. Furthermore, we will develop modern portfolio theory. Throughout this course, we will emphasize the ideas of risk-return trade off, diversification, no arbitrage, and the efficient market hypothesis. By the end of this course, you should be familiar with the operational aspects of financial markets and various points of view on investment strategies.

#### Course Objectives and Learning Outcome:

1. Students will learn the analytical tools and finance theory.
2. Students will be able to use the analytical tools and finance theory for making good investment decisions and for understanding the pricing of financial securities.

**Required Text:**

Essentials of Investments, 9th edition, by Bodie, Kane and Marcus  
Available at the University Bookstore

**Other Required Reading:**

The Wall Street Journal

You are required to read the WSJ each business day. Financial news from the WSJ will occasionally be discussed in class as time permits.

**Requirements and Rules:**

1. The finance pre-requisite is Finc 332 which gives an overview of finance. You are also assumed to have a working knowledge of economics at the level of principles of economics. As for mathematics skills, you are assumed to have a basic understanding of algebra, graphs and functions, and probability and statistics.
2. You are required to attend lectures and are expected to participate in class discussions.
3. You are required to do all the reading assignments and homework problems. There will be five sets of homework problems. I will collect every set, but only grade one problem for each set. Answer keys to homework problems will be provided after your work is collected.
4. You are encouraged to discuss homework problems, but each has to independently answer each question. You should type your answers. If you choose to hand write your answers, you risk having lower scores simply because I may have difficulty reading your answer. Late homework will not be accepted.
5. There are two midterm exams and a final exam. You are required to take all exams at the scheduled times. Under no circumstances will makeups be given for the midterm exams. If you miss any of them, its weight on your grade will automatically be added onto the weight of your final exam. The final exam is cumulative. Under special circumstances, a makeup exam can be considered for the final exam, but such an arrangement has to be made before the scheduled final.

6. After each lecture, I will post an announcement related to the class on Sakai. This will include information about homework, reading assignment, and exam information etc. Homework problems and their keys will all be posted on Sakai at relevant times.
7. I discourage using email as a tool of communication with me unless it is absolutely necessary. I encourage face to face communications. So you should make use of my office hours or schedule an appointment.
8. For extra credits, I am offering a chance for you to participate in a portfolio simulation game with stock-trak ([www.stocktrak.com](http://www.stocktrak.com)). For those who choose to participate, there are certain rules and requirements you need to follow and complete. These involve certain type of trades you need to make, performance you need to keep track of, and comparison of your portfolio with a benchmark. The details will be given in a separate handout which will be posted on Sakai. The reward for completing this project is a bump in your grade by one scale (e.g. if your grade based on the course requirement is a B but you complete the project, you will get a B+ for the course). The deadline for signing up is Jan 24 (Friday). For details of how to sign up, check Sakai for this course.
9. No other extra work will be given credits towards your course grade.

### Honor Code

All students in this course are bound by the School of Business Administration Honor Code. Consult [http://www.luc.edu/gsb/pdf/honor\\_code.pdf](http://www.luc.edu/gsb/pdf/honor_code.pdf) for details.

### Grades:

Class attendance and participation	5%
Each set of HW (5 in total)	4% (x5)
Each midterm (2 in total)	20% (x2)
Final exam	35%

### Grading Scale:

90 and above	80 - 89.9	70 - 79.9	60 - 69.9	59.9 and under
A- to A	B- to B+	C- to C+	D to D+	F

## Tentative Schedule

ate	Topic	Chapter	Assignments
1/14	Introduction	1	
1/16	Financial Instruments	2	
1/21	How Securities Are Traded	3	
1/23	How Securities Are Traded	3	
1/28	Risk and Return	5	
1/30	Risk and Return	5	hw#1 due
2/4	Efficient Diversification	6	
2/6	Efficient Diversification	6	
2/11	Efficient Diversification	6	
2/13	Mutual Funds	4	
2/18	Review		hw#2 due
2/20	Midterm Exam 1		
2/25	Capital Asset Pricing Model	7	
2/27	Capital Asset Pricing Model	7	
3/4	Spring Break, No Class		
3/6	Spring Break, No Class		
3/11	Efficient Market Hypothesis	8	
3/13	Bond Prices and Yields	10	hw#3 due
3/18	Bond Prices and Yields	10	
3/20	Bond Prices and Yields	11	
3/25	Managing Bond Portfolios	11	
3/27	Managing Bond Portfolios	11	
4/1	Managing Bond Portfolios	11	
4/3	Review		hw#4 due
4/8	Midterm Exam 2	13	
4/10	Equity Valuation	13	
4/15	Equity Valuation	13	
4/17	Equity Valuation	13	
4/22	Equity Valuation	13	
4/24	Review		hw#5 due, extra credit due
4/29	Final Exam 1:00 pm - 3:00 pm		