

Spring Semester 2018
FINC 335, Section 103, Investments
Monday, Wednesday & Friday 10:25 am – 11:15 am
Corboy Law Center, Room 301

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Catalogue Description:

Finance 335 – Investments

This course is designed as an introductory curriculum for students who desire to get substantive exposure to investments and capital markets. The course will explore characteristics of financial instruments and capital markets, theories behind investment strategies and behavioral finance, security pricing models and investment analysis, as well as key risk-return factors and vehicles behind modern portfolio management.

Course Overview:

This course is structured to provide a basic framework for investment analysis. Students will be introduced to a range of financial instruments which include equity securities (stocks, trusts, ETFs, alternatives), debt securities (bonds, notes, bills, commercial paper), cash equivalents, derivatives (options, futures), commodities (oil, precious metals, fungibles), and foreign currencies (FX, pairs). The course will also focus on understanding investment theories (capital market, modern portfolio, efficient market, arbitrage), securities pricing (equities, bonds, derivatives), investment management strategies (risk, active, passive, hedging), and the investment analysis practice (macroeconomic, industry, financial statement, securities).

Course Objectives & Learning Outcomes:

By the end of this course students will learn:

1. The characteristics of various asset classes, financial instruments and diversified investment vehicles
2. The structural dynamics behind capital markets and their embedded relationships
3. A broad range of theories behind portfolio management, securities pricing and behavioral finance
4. A variety of investment management strategies, their practical application and active process
5. Macroeconomic, industry, financial statement and securities analysis
6. Equity, debt and derivative valuation methodologies
7. Risk management tactics, vehicles and measures

By the end of this course students are expected to:

1. Differentiate between the various asset classes, financial instruments and diversified investment vehicles
2. Explain how financial markets work both individually and as a collective system
3. Explicate the driving theories behind modern portfolio management
4. Define the methods behind standard investment management strategies and their application process
5. Practice to a competent degree assorted types of investment analysis
6. Demonstrate the ability to price stocks and bonds
7. Learn the role of derivatives in terms of managing risk as well as how to evaluate risk itself

Required Materials:

Essentials of Investments, 10th edition, by Bodie, Kane & Marcus, McGraw-Hill Publishers. The text is available at the University Bookstore.

You will also need a stand-alone financial calculator to help you compute a set of key mathematical formulas for both exams and homework assignments. Calculator functions on smartphones will not be permitted for use during exams. Any calculator able to handle exponents should be sufficient such as a Hewlett-Packard 12C or a Texas Instruments BA-II Plus.

Recommended Supplemental Materials:

MarketWatch.com, Bloomberg.com, WallStreetJournal.com or CNBC.com. You are expected to peruse any of these business media outlets prior to each class, paying close attention to the news stories or information related to markets and investing. We will discuss topical events covered by these online sites as it is necessary or as time permits.

Supplemental Requirements:

In addition to the prerequisites described above, students are expected to have a basic level of proficiency in algebra, graphs, mathematical functions, probabilities and statistics. You are also assumed to have a working knowledge of economics at the level of principles of economics.

Course Requirements & Rules:**Class Attendance & Participation:**

You are required to attend lectures and are expected and encouraged to engage in class discussions. Active participation makes the class not only fun, stimulating and enriching, it aids materially in the learning process. Regular attendance is required but not sufficient to earn a high score for the attendance and participation criterion component of grading. What is critical is how engaged a student is during class discussion. Students earning the highest scores in attendance and participation are those who are actively involved in class discussions and are prepared with both their questions and answers. Tablets, computer laptops and other similar electronic devices are permitted during regular class time only insofar as they are to be used as a supplemental education tool (e.g. taking lecture notes).

Reading Assignments & Homework:

You are required to do all reading assignments and homework problems. There will be five sets of homework problems assigned throughout the semester and each set will be collected. The problems for each homework set will be disseminated at least one week before the due date on the course calendar. You may choose to work with a peer or group of peers to supplement your understanding of the problem-solving process, however, each student must independently answer each question as it must reflect his/her individual effort. Homework is due at the beginning of the class period in which it is explicitly designated. Homework submitted after the beginning of class is subject to a late penalty up to and including receiving zero points. Under no circumstances will homework be accepted after class has been dismissed. Students are encouraged to type their answers if possible so as not to run the risk of illegibility which could adversely impact their evaluation score.

Following each lecture, I will post an announcement related to the class on Sakai. Each bulletin will include information about homework, reading assignments and exam information, etc. Homework problems and their corresponding answer keys will be posted on SAKAI at relevant times.

Exam Requirements & Policies:**Requirements:**

Two mid-term exams and one comprehensive final exam will be administered. You are required to take all exams at the pre-designated scheduled times. Only under legitimate medical or emergency-based circumstances will makeups be given for the mid-term exams. If you miss either of them, the weight on your grade score will automatically be added onto the weight of your final exam. The final exam is both comprehensive and cumulative. A make-up for the final exam will only be provided under emergency or extenuating circumstances, but such an arrangement must be made before the scheduled final exam. A student must have verifiable proof of the emergency or extenuating circumstance. Please consult the Quinlan School of Business Examination Policy for the full list of the circumstances and provisions regarding make-up exams.

Policies:

1. All exams are both closed book and closed notes
2. A formula sheet and scratch paper will be provided
3. Bring two or more #2 pencils and erasers
4. Complete the exam answers sheets carefully and constructively (Exams will not be regraded if students make errors in completing answer sheets)
5. Bring a dedicated calculator (You will be permitted to use one calculator; all other devices must be muted and stowed away; the use of calculator functions on devices such as smartphones and tablets are prohibited)
6. Sharing a calculator is not permitted
7. Be on time (The instructor reserves the right to penalize any student arriving late for an exam up to and including receiving a score of zero points for the exam)

Grading Criteria:

The course grade will be based upon the following criteria listed below:

Attendance & Participation	5%
Homework	10%
Mid-Term Exam I	25%
Mid-Term Exam II	25%
<u>Final Exam</u>	<u>35%</u>
Weighted Total	100%

Course Grading Scale:

A+	100%
A	93 – 99%
A-	90 – 92%
B+	87 – 89%
B	83 – 86%
B-	80 – 82%
C+	77 – 79%
C	73 – 76%
C-	70 – 72%
D	60 -- 69%
F	Sub-60%

Quinlan School of Business Policies:**Attendance:**

Class attendance and participation are fundamental components of learning, therefore punctual attendance at all classes for the full meeting period is expected of Quinlan students. Faculty may set policies unique to their courses and use class participation as a criterion of the final grade. Each student is responsible for any assignments or requirements missed during an absence.

Make-Up Examinations:

Loyola University Chicago academic policy provides that tests or examinations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Quinlan faculty believe examinations represent a critical facet of the student learning evaluation process, therefore required examinations are to be taken during the regularly scheduled class period. Make-up examinations are effectively discouraged. Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (e.g. illness verified by a signed physician's note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan faculty administrator or Associate Dean.

If a make-up examination is determined to be administered, it is the responsibility of the faculty member to prepare, schedule and proctor the exam. The only approved exception is for a student-athlete who may use the testing services of the Athletic Department to complete a make-up examination. For a student with a documented special testing need, please consult Loyola University Chicago policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

Academic Integrity:

All students in this course are bound by the Quinlan School of Business Honor Code. Summarily, all members of the Quinlan School of Business shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, misappropriation, fabrication and falsehood. Plagiarism or cheating on the part of the student, whether practiced individually or within group academic work, during regular class period, non-class period or examination hours, will result minimally in the instructor assigning the grade of "F" for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website: <http://www.luc.edu/quinlanschoolofbusiness/pdfs/Honor-Code-Quinlan-July2012.pdf>.

Tentative Course Calendar Schedule -- Spring 2018:

Date	Module/Topic	Reading Assignment	Homework Assignment
<u>Investment Elements:</u>			
Wednesday, January 17 th	Investments: Background & Issues	Chapter 1	Problems: 1, 2, 3
Friday, January 19 th	Investments: Background & Issues	Chapter 1	Problems: 11, 16, 17, 21
Monday, January 22 nd	Asset Classes & Financial Instruments	Chapter 2	Problems: 1, 5, 7, 13, 15, 17
Wednesday, January 24 th	Asset Classes & Financial Instruments	Chapter 2	Problems: 18, 23, 26, 33, 34
Friday, January 26 th	Securities Markets	Chapter 3	Problems: 2, 3, 7, 9
Monday, January 29 th	Securities Markets	Chapter 3	Problems: 15, 18
Wednesday, January 31 st	Securities Markets	Chapter 3	Problems: 19, 21
Friday, February 2 nd	Mutual Funds & Alternative Investments	Chapter 4	Problems: 5, 6, 13, 29, 30
<u>Portfolio Theory:</u>			
Monday, February 5 th	Risk & Return	Chapter 5	Problems: 2, 3, 5 Homework Set #1 Due
Wednesday, February 7 th	Risk & Return	Chapter 5	Problems: 6, 7
Friday, February 9 th	Risk & Return	Chapter 5	Problems: 12, 13, 15, 17
Monday February 12 th	Efficient Diversification	Chapter 6	Problems: 1, 2, 3
Wednesday, February 14 th	Efficient Diversification	Chapter 6	Problems: 7, 9, 10
Friday, February 16 th	Efficient Diversification	Chapter 6	Problems: 13, 19, 20, 21
Monday February 19 th	President's Day		
Wednesday, February 21 st	Mid-Semester Review		Homework Set #2 Due
Friday, February 23 rd	Mid-Term Exam 1		
<u>Portfolio Theory:</u>			
Monday, February 26 th	Capital Asset Pricing Model	Chapter 7	Problems: 4, 9
Wednesday, February 28 th	Capital Asset Pricing Model	Chapter 7	Problems: 10, 11, 12
Friday, March 2 nd	Capital Asset Pricing Model	Chapter 7	Problems: 24, 26, 27, 33
Monday March 5 th	Spring Break		
Wednesday, March 7 th	Spring Break		
Friday, March 9 th	Spring Break		
Monday, March 12 th	Efficient Market Hypothesis	Chapter 8	Problems: 16, 19, 20, 22
Wednesday, March 14 th	Behavioral Finance	Chapter 9	Problems: 10, 15, 18, 21
<u>Security Analysis:</u>			
Friday, March 16 th	Macroeconomic & Industry Analysis	Chapter 12	Problems: 2, 10, 11, 15, 19, 25 Homework Set #3 Due
Monday, March 19 th	Equity Valuation	Chapter 13	Problems: 4, 6
Wednesday, March 21 st	Equity Valuation	Chapter 13	Problems: 9, 12, 13
Friday, March 23 rd	Equity Valuation	Chapter 13	Problems: 17, 22, 24
Monday, March 26 th	Equity Valuation	Chapter 14	Problems: 1, 3
Wednesday, March 28 th	Financial Statement Analysis	Chapter 14	Problems: 14, 16
Friday, March 30 th	Mid-Semester Review		Homework Set #4 Due
Monday, April 2 nd	Mid-Term Exam 2		
<u>Debt Securities:</u>			
Wednesday, April 4 th	Bond Prices & Yields	Chapter 10	Problems: 4, 5, 9, 15, 21, 22
Friday, April 6 th	Bond Prices & Yields	Chapter 10	Problems: 23, 30, 32, 36, 39
Monday, April 9 th	Managing Bond Portfolios	Chapter 11	Problems: 4, 7, 8
Wednesday, April 11 th	Managing Bond Portfolios	Chapter 11	Problems: 14, 19

Derivative Markets:			
Friday, April 13 th	Options Markets	Chapter 15	Problems: 2, 4, 7
Monday, April 16 th	Options Markets	Chapter 15	Problems: 10, 22
Wednesday, April 18 th	Options Valuation	Chapter 16	Problems: 1, 2, 12
Friday, April 20 th	Options Valuation	Chapter 16	Problems: 13, 25, 29
Monday, April 23 rd	Futures Markets & Risk Management	Chapter 17	Problems: 2, 3, 6
Wednesday, April 25 th	Futures Markets & Risk Management	Chapter 17	Problems: 8, 9, 16
Friday, April 27 th	Final Exam Review		Homework Set #5 Due
Monday, April 30 th	Comprehensive Final Exam		