Dean Diavatopoulos, Ph.D.
Office: Pigott 512
Email: cdiavato@gmail.com
Phone: (206) 296-5692

Office Hours: Tuesday and Thursday: 3:45pm – 4:45pm or by appointment

**OTHER INFORMATION:** I strongly urge you to use email to contact me outside of class. I will check my email messages daily Monday through Friday. Feel free to stop by my office during office hours or email or call me to set up an appointment.

Please don’t send your e-mail to Canvas if you want a quicker response. I am happy to provide you with assistance and quick feedback by e-mail. Should your question either require a long answer (i.e., more than two sentences) or be beneficial to other members of the class to listen, I will bring the answer to class.

**PREREQUISITES:** At least a B- (2.7) in FINC 3400. Math skills at the level of intermediate algebra.

**TEXTBOOK:**

**SUPPLEMENTARY MATERIALS:**
Daily reading of the Wall Street Journal is strongly recommended. Be prepared to undertake readings from this publication. Students are expected to be reasonably aware of current economic conditions. Lecture slides, homework problems and other class-related items will be available via my site on Canvas.

**COURSE DESCRIPTION:**
The goal of this course is to learn about the risk-return nature of financial instruments such as stocks, bonds and options and the capital markets in which these instruments are traded. This course helps students understand modern portfolio theory, its applications, related empirical evidence and enables them to construct efficient portfolios given investment objectives. Critical thinking and problem solving with an awareness of the social justice issues inherent in financial decision-making will be emphasized.
LEARNING OUTCOMES:
On successful completion of this course, you will be able to:

1. Illustrate the dynamics of financial markets and the main types of financial instruments.
2. Explain the risk-return tradeoff in investing and the benefits of portfolio diversification.
3. Evaluate the Efficient Market Hypothesis, its implications, and competing theories.
4. Apply valuation techniques for stocks and bonds, explain the basics of option valuation and learn how to use options to manage risk.

Your learning is my primary concern in this course, so I may modify the schedule if, for instance, we discover we need to spend time on a certain topic and less on another.

The above learning outcomes aim to contribute to the overall learning goals for finance undergraduate students. These learning goals can be found at: http://www.seattleu.edu/albers/finance/goals

FINANCIAL CALCULATORS:
A basic financial calculator will do, such as Texas BAII Plus or HP 10B or 12C. The use of any other electronic devices (including cell phones) will not be permitted during any of the exams or the final exam.

COURSE ETIQUETTE AND REQUIREMENTS
- Please avoid late arrivals and early departures.
- Once in class, I expect you to stay in the classroom. Please take care of personal needs prior to class so you won’t feel an urgent need to walk out of the classroom in the middle of a lecture. This can be very distracting to your fellow classmates.
- Students are responsible for all material and assignments presented in class. If you miss a class, then it is your responsibility to obtain any missed lecture/class notes from a class colleague.
- Students are required to take exams, quizzes and turn in assignments at their scheduled time. There will be no makeup Exam 1 except in very rare circumstances (see Seattle University Handbook). In the event of illness or family emergency, official written documentation must be provided to the instructor within 3 days of the exam. Barring this, if you do not show up for Exam 1, you will earn a grade of zero. Missed quizzes earn a score of zero. See quiz grade policy below.
- Do not plan or book flights/vacations for the scheduled final exam period. If a student cannot take the regularly scheduled final exam he/she should take the course during a different quarter.

TECHNOLOGY USE POLICY
Laptops, netbooks, or PDAs may not be used in the classroom during this course — unless otherwise indicated by the instructor. Often, the use of these devices is disruptive and detrimental to the learning process — except when they contribute directly to class exercises. Audio and videotaping of any class session is strictly prohibited without prior approval of the instructor.
ACADEMIC HONESTY
Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process. All students must comply with Seattle University policies for conduct and academic honesty at all times during this course.

The Seattle University Academic Honesty Policy can be found at the following address:

http://www.seattleu.edu/registrar/page.aspx?ID=87

Any violations of these policies will result in referral to the appropriate administrative body. If you are not sure whether a particular action is acceptable according to the Academic Honesty Policy you should check with the instructor before engaging in such an activity.

ACADEMIC RESOURCES:
Library and Learning Commons offer the following free services:
- Research services
- Learning assistance
- Writing Center
- Media Production Center

DISABILITIES
If you have, or think you have, a disability (including an “invisible disability” such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, you are encouraged to arrange support services and/or accommodations through Disabilities Services staff in the Learning Center, Loyola 100 (206) 296-5740. Disability-based adjustments to course expectations can be arranged only through this process.

GRADE DETERMINATION:
The total grade for the course is based on the following weights:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Midterm Exam</td>
<td>42.5%</td>
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<tr>
<td>Final Exam</td>
<td>42.5%</td>
</tr>
<tr>
<td>Group Project</td>
<td>10%</td>
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<tr>
<td>Quizzes</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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The course letter grade will be assigned according to the following schedule:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Range</th>
<th>Letters</th>
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<tbody>
<tr>
<td>95 – 100</td>
<td>A</td>
<td>77 – 79.99</td>
</tr>
<tr>
<td>90 – 94.99</td>
<td>A-</td>
<td>74 – 76.99</td>
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<tr>
<td>87 – 89.99</td>
<td>B+</td>
<td>67 – 73.99</td>
</tr>
<tr>
<td>84 – 86.99</td>
<td>B</td>
<td>60 – 66.99</td>
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<tr>
<td>80 – 83.99</td>
<td>B-</td>
<td>below 59.99</td>
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EXAMS:
The exams will consist of analytical problems and multiple-choice problems. Each exam is to be written in class. The final exam will be written during final exam week (see our course schedule and the Registrar’s academic calendar). Please note, the date for the final exam is according to the university schedule. You have been given ample warning as to dates of exams etc., if you do not show up to class to write the exam, then you earn a grade of zero. If you miss a midterm due to illness, the weight will then be placed on the final exam.

QUIZZES:
Quizzes will consist of multiple choice or short answer problems based on in class lectures, assigned homework and readings. The time allotted to each quiz is 15 minutes. You will be given notice of each quiz and likely quiz topics during the prior class.

GROUP PROJECT:
The group project allows you to put into practice what you’ve learned in the context of a real-life situation.

Groups will consist of 3-4 students.

The team will have to show its ability to:
1. Work as part of an investment team;
2. Create, follow and possibly modify an investment strategy;
3. Pick and monitor assets (stocks) in a fund;
4. Reflect on the effect of news on stock prices;
5. Analyze stock performance based on firm-specific, industry-wide, and macro-economic information.

More details will be given in class and posted in a separate handout on the Canvas website.

SUGGESTED PRACTICE PROBLEMS:
Suggested practice problems for each chapter are listed at the end of each set of powerpoint slides. I will not collect any of these problems. They are assigned for your practice. Solutions to all suggested problems are posted on the course Canvas site. It is essential for your success in this course that you practice the material by solving all the suggested problems regularly over the course of the quarter.
The course schedule is only tentative and I will announce changes as necessary. Therefore, you need to attend class and watch for announcements on the course website on Canvas.

<table>
<thead>
<tr>
<th>Week of</th>
<th>Events</th>
<th>Topics</th>
<th>Readings</th>
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<tbody>
<tr>
<td>Jan 1</td>
<td></td>
<td>Introduction</td>
<td>Ch. 1 and lecture slides</td>
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<tr>
<td>Jan 8</td>
<td></td>
<td>Asset Classes and Financial Instruments</td>
<td>Ch. 1,2 and lecture slides</td>
</tr>
<tr>
<td>Jan 15</td>
<td></td>
<td>Securities Markets</td>
<td>Ch. 3 and lecture slides</td>
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<tr>
<td>Jan 22</td>
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<td>Portfolio Theory - Risk and Return</td>
<td>Ch. 5 and lecture slides</td>
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<tr>
<td>Jan 29</td>
<td></td>
<td>Portfolio Theory - Efficient Diversification</td>
<td>Ch. 6 and lecture slides</td>
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<tr>
<td>Feb 5</td>
<td></td>
<td>Active Investment Management</td>
<td>Ch. 18* and lecture slides</td>
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<tr>
<td>Feb 12</td>
<td></td>
<td>Bond Valuation</td>
<td>Ch. 10, 13 and lecture slides</td>
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<tr>
<td>Feb 19</td>
<td></td>
<td>Equity Valuation</td>
<td>Ch. 13, 15 and lecture slides</td>
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<tr>
<td>Feb 26</td>
<td></td>
<td>Option Valuation and Strategies</td>
<td>Ch. 16 and lecture slides</td>
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<tr>
<td>Mar 5</td>
<td></td>
<td>Final Exam review/ Project Presentations</td>
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Final Exam: Friday, March 17, 12:00-1:50pm