OFFICE HOURS AND COMMUNICATING WITH ME

The office hours will be held virtually via Zoom. You can drop in every Monday from 6:00pm-7:30pm while the school is in session (the first one is on September 14 and the last one is on November 16). During the scheduled office hours, I will answer questions that are of interest to you, as well as the whole class. If I find that your question(s) is (are) specific to your own case, or you prefer to ask me questions one-on-one, I would suggest you schedule an individual, one-to-one Zoom meeting with me. I am flexible in scheduling appointments outside of scheduled office hours. Don’t hesitate to request an appointment, although I prefer weekday afternoons since I am not an early bird.

I regularly check my e-mails in the SU account (jyau@seattleu.edu). I am happy to provide you with assistance and quick feedback by e-mail. If you do not hear from me within three business days, please send me a reminder. I might have missed your email due to heavy email volume.

For announcements and information sent to this class as well as requests that involve personal information (e.g., grades), I will disseminate them to your e-mail account at Seattle University ONLY. Please make sure your SU e-mail account is able to accept incoming e-mails at all times and check it regularly.

COURSE OBJECTIVES

(1) To introduce a general overview of capital markets and traditional financial instruments (e.g., stocks, bonds, options, mutual funds, hedge funds, and exchange traded funds);

(2) To develop students’ understanding of modern investment theories by providing exposure to both theory and empirical evidence with emphasis in their economic rationales (i.e., risk and return relationship) and behavioral aspects of investment decision-making;
(3) To introduce valuation techniques for major traditional asset classes: stocks and bonds; and

(4) To introduce options and basic option strategies.

Although this is a required course for MSF majors, the course should be relevant to all students alike since everyone must decide, at one point or another, how to invest their savings. The consequences of our investment decisions are serious, since they can have a significant impact on our future standards of living. However, you should be aware of the following caveat to see whether this is the right course you are looking for.

CAVEAT
This course is not designed to teach you how to make a quick killing in the stock market. Neither does it specifically discuss ad hoc approaches to equity investing. Instead, the course aims at providing you with a systematic introduction to the professionally acceptable investment principles and techniques that enable you to analyze major traditional asset classes (stocks and bonds) and hopefully help you make sound investment decisions in the current economic environment. Pedagogically, it takes the perspective of institutional investors and the asset allocation approach they use. You will be learning a general perspective on the current philosophy, theories, models, practice and techniques about investment management and the empirical evidence relating to them. As such, this course is a core, prerequisite course to many of our investment electives. It also provides the theoretical foundations for those who would like to self-study for the Chartered Financial Analyst (CFA®), Chartered Alternative Investment Analyst (CAIA), and Financial Risk Manager (FRM) professional exams.

*** Important *** For those who would like to learn how to pick stocks for your retirement savings accounts (401K, IRA, Roth etc.), to learn something about personal financial planning and/or provide advice to other individuals, you may want to take FINC 5345 (Personal Financial Planning). This course is not about personal investing/financial planning.

PREREQUISITES

PMBA 5230 or (ECON 5000, Financial Accounting, FINC 5000)

All students must have completed the above courses and their prerequisites (e.g. Business Calculus) before taking this class and are expected to be proficient with the basic math techniques covered in Business Calculus class, time value of money (including different cost of capital computations), financial statements and financial ratio computations, and basic statistics including linear regression (for estimation of beta).

Use of Calculator:
Students must be proficient in using a financial calculator; only calculators with no user-programmable capabilities are allowed during all exams. If you have doubts about your calculator, check with me now. I recommend students to learn how to use the financial calculators approved by the CFA Institute for use in the CFA exams: Texas Instruments BA Plus II or Hewlett Packard 12C.

REQUIRED COURSE MATERIALS

1. Purchase the customized eBook (ISBN 9781307638844; 518 pages; $93.64) from the publisher online [https://create.mheducation.com/shop/](https://create.mheducation.com/shop/)
   - Follow the instructions on the first page (Type “9781307638844” in the Find box and then follow the instructions on the screen).
- The title of the eBook is “Investments.”

- **An Alternative to our customized eBook**
  Students can rent an eBook (the whole book) for 180 days for $50.00 with the $5.00 promo code: EBOOKSAVE5.
  If you go to this website: https://www.mheducation.com/highered/product/investments-bodie-kane/M9781260013832.html

**Note**

(1) Our customized eBook is composed of 14 chapters (Ch. 1-5, 7, 9, 11, 12, 14, 16-18, and 20) from *Investments* by Bodie, Kane and Marcus, 12th edition, McGraw-Hill, 2021 (ISBN 9781260013832) (hereafter BKM12). If you have this edition of the book (BKM12), you don’t need to purchase the eBook.

(2) If you plan to take FINC 5120 Portfolio Management in Winter 2021, you may want to purchase the whole book instead of the eBook, since I will be using other chapters from the book (BKM12) for that class. You probably will save some money.

2. Class materials including power point notes and videos posted on CANVAS.

3. Additional materials distributed on Canvas.

**RECOMMENDED READINGS AND WEBSITES**

Regular outside readings will enhance the understanding of the subject, and it is highly recommended. Students are encouraged to read the following newspapers regularly:


*The Financial Times* at [https://www.ft.com](https://www.ft.com)

Also, following websites are useful for learning about the markets and investments:

[https://www.bloomberg.com/](https://www.bloomberg.com/)
[https://www.investopedia.com/](https://www.investopedia.com/)
[https://finance.yahoo.com/](https://finance.yahoo.com/)
[https://www.marketwatch.com/](https://www.marketwatch.com/)
[https://www.cnbc.com/](https://www.cnbc.com/)
REQUIREMENTS

(a) **EXAMS.** There will be two online, timed exams: a mid-term and a final. The exams will be delivered via Canvas and to be completed within a specified time (could vary from an hour to 24 hours). Details will be given in due course. The exams will have concept questions and computational problems. The typical mix is 55% computational problems and 45% concept questions. The level of difficulty of the computational problems is similar to examples used in the lecture notes, end-of-chapter problems, and those in the problem sets. Exams are not comprehensive.

(b) **ASSIGNMENTS.** There are two types of assignments: (i) assigned end-of-chapter problems, and (ii) problem sets. (i) **Assigned end-of chapter problems** are those that students prepare before class individually. They will NOT be collected for grading. I will present solutions to selected end-of-chapter problems in the recorded lectures. Also, solutions to all assigned end-of-chapter problems will be posted on CANVAS after the lecture.

(ii) **Problem sets** will be collected and graded on a group basis. Each group must have 2 or 3 persons. Each group submits only one copy. Problem Set #1 is due before the mid-term, and Problem Set #2 before the final exam. They will be posted on CANVAS in due course. There is no make-up of any kind for missed assignments. All computations must be shown clearly for full credit; submissions must be typed.

At the end of the quarter, each group member will evaluate the contribution of each group member’s contribution toward the assignments.

**Grading Criteria for Problem Sets**
Problem set grade depends on effort and accuracy/correctness of the answers. I may grade all/part/none of the problems. For the problems that are not graded, you will receive full credit if you have attempted them completely. For the graded problems, the grade is based on accuracy. For example, if question 1 was selected for grading and if you missed doing that question, you would receive a zero score. If you attempted the question but you were not all correct in your answer, say only 80% of your answer was correct for that question, you will receive a score of 80% of the assigned points for that question.

**WEEKLY INVESTMENT RESEARCH AND ANALYSIS**
This is also a group effort; you must be in the same group as for the problem sets. The purpose of this weekly investment research and analysis is to help you keep abreast of the financial market developments and learn how to conduct research and analysis on a current investment topic/issue/problem based on the lessons/practices learned in this class. You, as a group, will be asked to identify and understand the current issue or problem, research the background of the topic/issue/problem, discuss and analyze the issue/problem, and finally make an investment recommendation based on your analysis.

The topic/issue/problem for the weekly analysis will be posted with instructions on CANVAS every Monday and due by 9:00am, the following Monday. The first one will be posted on September 14 (Monday) at 9:00am.

A total of 8 topics will be posted. Each group must turn in 5 reports for grading, at least two reports before the mid-term and two after. (That is, you can submit 3 before the mid-term and 2 after, or 2 before and 3 after). The report has a one-page limit (single-spaced, 12-point font). The group grade for the weekly reports is the average of the highest 4 scores (i.e., the lowest score of the 5 reports will be dropped).
GRADE DETERMINATION

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Mid-term Exam</td>
<td>25%</td>
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<tr>
<td>Final Exam</td>
<td>25%</td>
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<tr>
<td>Problem Sets (Group)</td>
<td>25%</td>
</tr>
<tr>
<td>Weekly Investment Research and Analysis (Group)</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
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</table>

Your course grade depends on the distribution of the weighted average scores. Normally, a weighted average score of 95 or above is an A, 90 or above is A-, between 80-89 is (B+, B, B-), 65-79 is (C+, C, C-). The actual demarcation line for each letter grade depends on the actual distribution of all weighted average scores. If the distribution warrants, plus or minus grades may not be given.

Students often claim they did not show how much they knew on the test. Alternatively, they may indicate that they studied "real hard" but just could not grasp the material before exams. Having been a student for over 20 years myself, I am sure that such sentiments have a certain amount of validity. But, under the present system, I must say that the points are really irrelevant. I have no better measure of performance by effort rather by result. Therefore, to be fair to everybody, grades are based on performance -- not "knowledge" or effort. Accordingly, one's efforts should be directed toward achieving the maximum performance relative to potential and input. The advice that I can offer you now is:

"QUANTUM POTES, TANTUM AUDE"

Translation – As much as you are able, that you should dare to do.

UNIVERSITY RESOURCES AND POLICIES

Academic Resources
- Library and Learning Commons ([http://www.seattleu.edu/learningcommons/](http://www.seattleu.edu/learningcommons/))
  *(This includes: Learning Assistance Programs, Research [Library] Services, Writing Center, Math Lab)*
- Academic Integrity Tutorial (*found on SU Online*)

Academic Honesty
Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process. Academic dishonesty in any form is a serious offense against the academic community. Acts of academic dishonesty will be addressed according to the Seattle University Academic Honesty Policy. If you are not sure whether a particular action is acceptable according to the Academic Honesty Policy, you should check with me before engaging in it.

Academic Policies are listed on Registrar website: [https://www.seattleu.edu/registrar/academics/performance/](https://www.seattleu.edu/registrar/academics/performance/)
- Academic Integrity Policy
- Academic Grading Grievance Policy
- Professional Conduct Policy (*only for those professional programs to which it applies*)
DISABILITIES
If you have, or think you may 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 located in Loyola 100, (206) 296-5740. Disability-based adjustments to course expectations can be arranged only through this process.

TITLE IX POLICY
Title IX of the Education Amendments of 1972 (Title IX) prohibits discrimination based on sex in educational programs or activities that receive Federal financial assistance. This prohibition includes sexual misconduct, which encompasses sexual harassment and sexual violence. Seattle U remains committed to providing a safe and equitable learning, living, and working environment. Seattle U offers emergency, medical, and other support resources, as well as assistance with safety and support measures, to community members who have experienced or been impacted by sexual misconduct.

Seattle U requires all faculty and staff to notify the University’s Title IX Coordinator if they become aware of any incident of sexual misconduct experienced by a student.

For more information, please visit https://www.seattleu.edu/equity/. If you have any questions or concerns, you may also directly contact the Title IX Coordinator in the Office of Institutional Equity (email: oie@seattleu.edu; phone: 206.296.2824)

MAKE-UP EXAM POLICY
No make-up exams will be given without legitimate excuses and proof. If the legitimate excuses are foreseeable, they must be submitted prior to the scheduled exam. If they are unanticipated such as medical emergencies or death of family member, you should be able to produce documentation if asked. Make-up exams are usually given before the scheduled exam time, more difficult, and graded on an absolute scale. If scheduling a make-up exam is not feasible, the instructor has the discretion to redistribute the weights to the unfinished assignments but no retroactive redistribution to the completed assignments.

LECTURE RECORDING POLICY
For protection of proprietary knowledge and for a variety of other reasons, audio and videotaping/recording of any class session and/or office hour Zoom session are strictly prohibited, except with prior approval by the instructor. The student will be responsible for making all necessary arrangements. Students will need to adhere to the appropriate agreed upon use of the content material of these audio/video recordings.
Class Calendar – as of September 14, 2020

Note: This calendar provides a planned schedule of classes, exams, and assignments. Deviations from schedule may be necessary. If so, announcements will be made in class and/or posted on CANVAS. It is your responsibility to keep abreast of these changes.

- **Reading assignment** indicates which chapter(s) and notes that you should read for the week (Chapter numbers and page numbers refer to the original BKM chapter and page numbers).
- **Assigned end-of-chapter problems** are assigned for practices before class. The chapter and problem numbers are original BKM 12 book chapter and problem numbers. **CFA#** refers to the problems under the CFA Problems sections at the end-of-chapter problems.

<table>
<thead>
<tr>
<th>DATE</th>
<th>TOPICS</th>
<th>*Reading Assignment</th>
<th>Assigned end-of-chapter problems (For practice before class) &amp; Weekly Investment Research and Analysis#</th>
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<tbody>
<tr>
<td>1/ Sep 14</td>
<td>- Introduction</td>
<td>Chapter 1; Notes 1</td>
<td>#1 topic posted (due 9/21)</td>
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<td></td>
<td>- Investment Environment</td>
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<tr>
<td>2/ Sep 21</td>
<td>- Asset Classes and Financial Instruments</td>
<td>Chapter 2; Notes 2; Chapter 4; Notes 3</td>
<td>#2 topic posted (due 9/28) Ch. 2 problem #7, 11-13; Ch. 4 problem #8-10, 18</td>
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<td></td>
<td>- Mutual Funds and Other Investment Companies (e.g., ETFs and Hedge Funds)</td>
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<td>3/ Sep 28</td>
<td>- How Securities Are Traded</td>
<td>Chapter 3; Notes 4</td>
<td>#3 topic posted (due 10/5) Ch 3 problem #6, 7, 14;</td>
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<tr>
<td>4/ Oct 5</td>
<td>- Equity Valuation</td>
<td>Chapter 18; Notes 5; Chapter 17; Notes 6</td>
<td>#4 topic posted (due 10/12) Ch. 18 problem #4-7, 9; CFA#8;</td>
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<td></td>
<td>- Macroeconomic and Industry Analysis</td>
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<td>5/ Oct 12</td>
<td>- Bond Valuation</td>
<td>Chapter 14; Chapter 16 (pp. 495-509); Notes 7</td>
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<td>Ch. 16 problem #3, 16 Problem Set #1 Due on 9am Oct 16</td>
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<td>6/ Oct 19</td>
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<td></td>
<td>Mid-Term Exam (6:00pm-8:00pm)</td>
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<td>7/ Oct 26</td>
<td>- Risk &amp; Return</td>
<td>Chapter 5; Notes 8</td>
<td>#5 topic posted (due 11/2) Ch. 5 problem #7, 11;</td>
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<tr>
<td>8/ Nov 2</td>
<td>- Introduction to Portfolio Theory</td>
<td>Chapter 7 (pp.193- 202) &amp; Appendix 7B; Notes 9</td>
<td>#6 topic posted (due 11/9) Ch.7 CFA#4-7, 9</td>
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<tr>
<td>9/ Nov 9</td>
<td>- The Capital Asset Pricing Model</td>
<td>Chapter 9; Notes 10; Chapter 11; Notes 11</td>
<td>#7 topic posted (due 11/16) Ch. 9 problem #1, 4, 5, 10-12 CFA#4, 8, 9;</td>
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<td></td>
<td>- The Efficient Market Hypothesis and Empirical Evidence</td>
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<td>10/ Nov 16</td>
<td>- Behavioral Finance and Technical Analysis</td>
<td>Chapter 12; Notes 12; Chapter 20 (pp. 659-673); Notes 13</td>
<td>#8 topic posted (due 11/23) Ch. 2 problem #18 Option Worksheet*** Problem Set #2 Due on 9:00am Nov 20</td>
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<tr>
<td>Nov 23 (Monday)</td>
<td>Final Exam (6:00pm - 7:50pm)</td>
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Nov 23 (Monday) Final Exam (6:00pm - 7:50pm)