

**Seattle University**  
**Albers School of Business and Economics**

<b>Course</b>	<b>Investments and Portfolio Theory FINC-3440-01</b>
<b>Professor</b>	<b>Dr. Cathy Xuying Cao, CFA</b>
<b>Term/ Format</b>	<b>2020 Spring <u>Asynchronous</u> Online Class on Canvas</b>
<b>Class Schedule</b>	<b>Monday, Wednesday, and Friday <u>12:30 pm – 1:55 pm</u></b>

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### **Professor's Contact Information**

**Email Address**            [caoc@seattleu.edu](mailto:caoc@seattleu.edu)

**Office Hours**            **Friday 12: 30 pm-1:55 pm**  
**Zoom Meeting**

**Other Information**        *This class will be held asynchronously online.* If you have technology needs, please feel free to contact [library@seattleu.edu](mailto:library@seattleu.edu) .

*I strongly urge you to use email to contact me.* I will check my email daily on weekdays and occasionally on weekends.

Each week, I will send out Zoom meeting invitation on Canvas Course Announcement. I will hold Zoom Q&A meeting on Friday 12:30 pm-1:55 pm.

Also, please feel free to post your questions on Canvas Discussions. I will create a Discussion Board for each topics. Your questions posted on Discussions will be beneficial to other students.

### **General Course Information**

#### **Pre-requisites, Co- requisites, & other restrictions**

Pre-requisites: **FINC 3400**. NO EXCEPTIONS.

The course assumes that you have completed introductory courses in basic algebra, finance, accounting and statistics. You are expected to have *proficiency* in (i) all mathematics up to calculus, (ii) accounting principles, (iii) basic statistics, especially knowledge on probability distributions, mean, variance, covariance, and regression analysis. (iv) spreadsheet modeling in *Microsoft Excel*, and (v) internet skills such as searching, email, downloading files, etc. If you have not completed the necessary coursework or do not feel comfortable with the requisite skills, you will find the concepts introduced in this course difficult. Please come to me if you have any questions about the requirements.

#### **Course Description**

This course is a general overview of capital markets and financial instruments, such as money market securities, stocks, bonds, and options. This course helps students understand modern portfolio theory, its applications, and related empirical evidence. The students will learn to assess asset and portfolio returns and risks, and to construct efficient portfolios given investment objectives. They will also learn to apply different valuation models to evaluate fixed income securities and stocks. This course also introduces options and basic option trading strategies.

This course meets the following all five learning outcomes of Seattle University Undergraduate Finance major.

- Describe and explain to lay individuals financial concepts relating to: value creation, risk management, and the functioning of financial institutions and world financial markets, for corporate and investor decision-making.
- Demonstrate strong critical thinking and problem solving skills within an ethical framework.
- Apply tools such as spreadsheet, mathematical, and statistical modeling to analyze problems and issues in finance.
- Employ discipline knowledge and skills orally and in written form in a professional manner in service to the community.
- Recognize social justice issues inherent in financial decision- making.

The course will be a blend of online lecture, class participation via discussion boards, practice quizzes, and assessment quizzes.

### **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 will enable you to analyze major asset classes (stocks, bonds, and derivatives) 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 learn the current philosophy, theories, models, practice and techniques about investment management and the empirical evidence relating to them.

### **Required Texts & Materials**

Teaching materials are drawn from textbooks, newspapers, and periodicals. There are assigned readings for each class. You will find the lectures much easier to grasp if you have read the assigned materials in advance.

***Essentials of Investments, Zvi Bodie, Alex Kane & Alan J. Marcus (McGraw-Hill/Irwin, 10<sup>th</sup> edition).***

Financial Calculator, such as the HP-12C or the TI BAII Plus

### **Assignments & Academic Calendar**

**This agenda is subject to change. The exact timing of lectures and content of exams will depend on the flow of the course.**

***These descriptions and timelines are subject to change at the discretion of the Professor.***

## Tentative Class Schedule

Date	In-class Activity	Readings
April 6	Intro to Investment Class Investment Environment Financial Instruments	Course Materials Chapter 1 Chapter 2
April 8	Indices	Chapter 2
<b>April 10, 13</b>	<b>Easter Break: No Classes</b>	
April 15, 17, 20	Security Market Purchase on Margin and Short Sales	Chapter 3
April 22, 24	Risks and Returns	Chapter 5
April 27	Online Exam Practice	
<b>April 29</b>	<b>Exam 1</b>	<b>Anything we have learned so far</b>
May 1, 4, 6	Equity Valuation	Chapter 13
<b>May 8</b>	<b>Business Ethics Week—Speaker Event</b>	
May 11, 13, 15	Bond Valuation	Chapter 10
May 18	Online Exam Practice	
<b>May 20</b>	<b>Exam 2</b>	<b>Anything after Exam 1</b>
May 22	Options	Chapter 15
May 25, 27, 29	Capital Allocation Portfolio theory	Chapter 5 Chapter 6
June 1, 3	Capital Asset Pricing and Efficient Market	Chapter 7 Chapter 8
June 5	Online Exam Practice	
<b>June 8</b>	<b>Q&amp;A</b>	
<b>June 9 (Tuesday)</b>	<b>Exam 3 (2:00pm-3:50pm as Scheduled on SU Finals Calendar)</b>	<b>Anything after Exam 2</b>

## Course Policies

### Grading (credit) Criteria

Grading will be based on a combination of the following:

**3% on Class Participation (Please check page 5 for details) 10% on Quizzes**

**10% on Project**

**3% Bonus on Completing 2 Projects (Please refer to “Project Guideline)**

**77% on Three Exams, where**

- 25% on Exam One
- 25% on Exam Two
- 25% on Exam Three
- 2% on Exam with highest grade

**100% as Total (without bonus)**

Grades will be assigned based on the overall section performance, adjusted for overall section performance. It is expected that the median grade in this course will be a B.

Your course grade depends on the distribution of the weighted average scores. Normally, a weighted average score of 95 or above is an A, between 90 and 95 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 "really 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.

### Exams

**All the exams are online exams. Each exam has limited time to complete.**

Makeup exams will not be given except in a dire emergency with a proof and only if I am notified prior to the scheduled exam time.

Grades are not negotiable and will only be changed in case of a math or grading error on the instructor's part.

**Dispute the exam grading:** Please **write a formal re-grading request** if you want to dispute the exam grading. I will request the department to form a committee to re-grade your exam. The committee will reserve the right to re- grade the entire exam paper and remove all partial credits.

### Suggested After- chapter Problems

I will assign after-chapter problems from the text. You do not need to submit the suggested after-chapter problems.

The level of difficulty of the computational problems is similar to those of the end-of-chapter problems and problem sets. **Please do all your own work.** You will learn more, and the alternative is not worth the risk.

### **Practice Quizzes**

I will assign a practice quiz following each online lecture. The practice quiz is not graded. The practice quiz is to help you self-assess your learning. It covers concepts and examples mentioned in the lecture notes.

To help you prepare for the graded quiz and exams, please practice these quiz questions multiple times.

### **Graded Quizzes**

**Graded quizzes** will be given for each online lecture. Please be aware of the due date. **There is no make-up for any missing quiz. You can drop the two quizzes with the lowest scores.**

### **Online Class Participation and Discussion Etiquette \*\*\*Important!**

Each student is expected to actively participate throughout the week in order to promote a meaningful and engaging learning experience. I will initialize a discussion for each topic (on average, every week). In order **to earn full credit for an online threaded discussion, you need to make at least two (2) posts per discussion thread.** You could 1) initialize a post to ask questions or 2) respond to an existing post.

### **When posting on the Discussion Board, please follow the policy:**

- Make posts that are on topic and within the scope of the course material.
- Take your posts seriously, and review and edit your posts before sending.
- Be as brief as possible while still making a thorough comment, including your claim, evidence, and concise analysis.
- Always reference or quote the source that you cite.
- Be sure to read all messages in a thread before replying or asking a question. Please do not repeat a similar question asked before.
- Please do not repeat someone else's post comment without adding something of your own to it.
- Avoid short, generic replies such as, "I agree." You should include why you agree or add to the previous point (such as claim, evidence, and concise analysis).
- Always be respectful of others' opinions even when they differ from your own.
- When you disagree with someone, you should express your differing opinion in a respectful and non-critical way.
- Please do not make personal or offensive remarks.
- Be open-minded.

### **Projects**

**This is an individual project. Two project topics are provided. You can pick one of the project topics to do. The weight on the project is 10%.**

One project is to design and analyze a strategy-based index. Another project is to recommend a portfolio formation and stock selection.

Details related to these the project will be provided in a separate document.

Students completing BOTH projects will earn bonus points. I will calculate the average points of the two projects and assign 13% weight on your project.

## **Canvas: Delivery of Course Materials**

***This class will be held asynchronously online. Always check the Canvas page for class announcements and course information.*** This site will include online lectures, assignments (with due dates), class discussions, and exams.

If a file or link is not operational, let me know via email ASAP so I can correct the link. If you have any other problems using Canvas, contact the Seattle University technology help desk.

If you have technology needs, please feel free to contact [library@seattleu.edu](mailto:library@seattleu.edu) .

## **Academic Resources & Academic Integrity**

- Library and Learning Commons ([Seattle University Learning Commons](#) ) (This includes: Learning Assistance Programs, Research [Library] Services, Writing Center, Math Lab)
- Academic Integrity Tutorial (found on Canvas and SU Online)
- 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.

I expect from you a high level of responsibility and academic honesty. This course will use the resources of turnitin.com, which searches the web for possible plagiarism and is over 90% effective.

### **Academic Policies on Registrar website**

The following policies can be found at the Registrar website ([Seattle University Academic Policy](#) )

- Academic Integrity Policy
- Academic Grading Grievance Policy
- Professional Conduct Policy (only for those professional programs to which it applies)

### **Notice for students concerning 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.

### **Notice Regarding Religious Accommodations**

It is the policy of Seattle University to reasonably accommodate students who, due to the observance of religious holidays, expect to be absent or endure a significant hardship during certain days of their academic course or program. Please see, *Policy on Religious Accommodations for Students* ([Seattle University Policy on Religious Accommodations](#).”

### **Office of Institutional Equity**

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 [Seattle University Institutional Equity](#). If you have any questions or concerns, you may also directly contact the Title IX Coordinator in the Office of Institutional Equity

(**email:** [oi@seattleu.edu](mailto:oi@seattleu.edu); **phone:** 206.296.2824) University Resources and Policies.

#### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials, including music and software. Copying, displaying, reproducing, or distributing copyrighted works may infringe the copyright owner's rights and such infringement is subject to appropriate disciplinary action as well as criminal penalties provided by federal law. Usage of such material is only appropriate when that usage constitutes "fair use" under the Copyright Act. As a Seattle University student, you are required to follow the institution's copyright policy. For more information for SU copyright policy, see [Seattle University Policy on Copyrights](#).

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