Finance 5100 - Investments  
Winter Quarter 2020

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Office Hours: By Appointment

This course will introduce the theory of investment valuation, including expected rates of return and risk in the financial markets; review of empirical research on the risk/return relationship, and the behavior of securities prices (e.g., stocks, bonds, futures and options).

FINC5100 should be relevant to students who want to pursue careers in investment management or investment banking and who want to invest their savings.

All students must have completed the required prerequisites (see course catalog) 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).

We will discuss the following blocks of material: (i) a general overview of capital markets and traditional financial instruments (e.g., stocks, bonds, and options) and transactions in securities; (ii) Bond and stock valuations; (iii) Choice under risk and the basics for risk-return tradeoff; (iv) Mean-variance (Markowitz) Portfolio Theory; (v) Capital Asset Pricing Model, Multi-Factor models and Arbitrage Pricing Theory; and (vi) Fund management and performance evaluation.

This class is technical in nature and students are expected to have a background in statistics and probability as well as the finance topics covered in the prerequisites.

The course best suits the following students (but not limited to):
- Those who want to know how to invest for their own benefit.
- Those who aspire to pursue a career in investment banking.
- Those who want to be a skilled security analyst.
- Those who want to become a professional money manager.

On successful completion of this course, you will be able to reach all three learning outcomes of Seattle University Master of Science in Finance (MSF).
- Quantify the relation between risk and return and apply it in value-maximizing financial activities of individuals and corporations (in global, ethical context).
- Choose and be proficient in applying financial tools and analytical methods to improve financial decision-making.
- Effectively communicate and justify, in both written and oral form, results and recommendations of financial analysis to audiences having varying degrees of financial sophistication.
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. You will learn the current philosophy, theories, models, practice and techniques about investment management and the empirical evidence relating to them.

Finance 5100 is a prerequisite to FINC 5105 (Derivatives), FINC 5120 (Portfolio Management), FINC 5330 (Fixed Income Securities), and FINC 5335 (Hedge Funds). It also provides the necessary theoretical foundation for those who would like to prepare for the Chartered Financial Analyst (CFA©), Chartered Alternative Investment Analyst (CAIA), and Financial Risk Manager (FRM) professional exams.

**Textbook** for this class is: *Investments*, Zvi Bodie, Alex Kane & Alan J. Marcus (McGraw-Hill/Irwin, 11th edition)

**Calculator.** Students must be proficient in using a financial calculator and the problem sets will require it. I recommend using a financial calculator approved by the CFA Institute for use in the CFA exams: Texas Instruments BA Plus II or Hewlett Packard 12C.

**Canvas.** This class will use Canvas to the fullest extent possible. Slides will be posted after each lecture and assignments will be given and accepted online in Canvas. Your work can be submitted in Word, Excel or scanned pencil and paper for file upload. Grades will be registered in Canvas.

**Grades** are based on cumulative points scored and the standard SU grading scheme. Your grade will be based on the following:

- Assignments 21%
- Equity Analyst Presentation 14%
- Midterm Exam 30%
- Final Exam 30%
- Class Participation 5%

**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.

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Chapter Readings</th>
<th>Due Dates</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>8-Jan</td>
<td>Investment Environment</td>
<td>Chapter 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial Instruments</td>
<td>Chapter 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-Jan</td>
<td>Security Markets</td>
<td>Chapter 3</td>
<td>Assign 1</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Margin and Short Sales</td>
<td>Chapter 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22-Jan</td>
<td>Equity Valuation</td>
<td>Chapter 18</td>
<td>Assign 2</td>
<td>3</td>
</tr>
</tbody>
</table>
Class Readings. There are assigned readings for each class, which are very important. You will find the materials much easier to grasp if you have read the assigned materials in advance.

Assignments consist of seven exercises due almost every week that is not an exam week or presentation week. These will include 4-5 problem sets and 2-3 short quizzes. The assignments are designed exclusively to prepare you for the midterm and final exams and contain both the kind of problems and concept questions that you will find on the exams.

Equity Analyst Presentation. This is a group work, where each group is comprised of no more than two (2) students. The focus of the Equity Analyst Presentation is on applying best practices in equity research and corporate analysis, as well as formulating a convincing argument to defend conclusions.

Students are expected to conduct in-depth analysis on a given public company and produce an equity research presentation on that company. Presentations will be given in class. The evaluation of each group will be based on the thoroughness of its analysis, knowledge about the company and its business, and the justification of valuation model inputs.

Exams. There are two in-class, closed-book exams: mid-term and final. The exams will be in the form of concept questions and numerical problems. The typical mix is 50%/50% and may vary by no more than 10%. The level of difficulty of the computational problems is similar to those of the end-of-chapter problems and problem sets. The mid-term will be one hour and thirty minutes and the final will last for the allotted time period.
Class Participation will be based on your attendance and your contributions in class, as well as adherence to the rules of etiquette described below.

CLASS POLICIES:

Make-up Policy for Exams

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.

Late assignments will be penalized a grade.

Classroom Etiquette
Following are guidelines for your behavior in class:
1. Students are expected to take all reasonable measures to arrive to class on time. There will be occasional unforeseen events, which may be beyond your control.
2. If there is an emergency requiring that you step outside the classroom, please exit and re-enter the classroom as unobtrusively as possible.
3. There will be a 10 minute break in the middle of the class period.
4. The use of laptops, iPads, tablets, PDAs, or cellphones of any kind, or any other handheld electronic gadgets, is not allowed in class.

Lecture Recording
For protection of proprietary material as well as privacy restrictions, audio and videotaping of any class session is prohibited without prior approval of the instructor.

UNIVERSITY POLICIES

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

Academic Policies on Registrar website (https://www.seattleu.edu/redhawk-axis/academic-policies/)
- 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* ([https://www.seattleu.edu/media/policies/Policy-on-Religious-Accommodations-for-Students---FINAL.PDF](https://www.seattleu.edu/media/policies/Policy-on-Religious-Accommodations-for-Students---FINAL.PDF)).

**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 [https://www.seattleu.edu/equity/](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) University Resources and Policies