FINA 469 – Investment Analysis and Portfolio Management
Spring 2017 Syllabus

Section, Room, Time:  
- Section 004; 300 Main St. Rm B110; MW 2:20 – 3:35pm
- Section 005; 300 Main St. Rm B201; MW 3:55 – 5:10pm
- Section 006; DMSB 134; TR 10:05 – 11:20am

Instructor: Greg Putnam, CFA
Email: greg.putnam@moore.sc.edu
Office: DMSB 417D
Office Hours: TR 11:30am – 1:00pm

Required Text & Resources:
1. Essentials of Investments, 10th Edition, McGraw-Hill. Authors: Bodie, Kane, Marcus. (BKM), with MH Connect Access. McGraw-Hill Connect Access is required, as all homework will be assigned via MH Connect and Blackboard. After purchasing and setting up your access code, you should access MH Connect through the links in Blackboard for your section and assignments.
2. Top Hat – You will need a Top Hat account to facilitate and measure class participation. We will occasionally have discussion questions with responses via smart/cell phone, and I will take attendance as a measure of student engagement and participation.
3. Stock Trak – We will use Stock Trak as a means of gaining practical experience in trading various securities and managing portfolios. Information for accessing both Top Hat and Stock Trak will be provided via email and/or Blackboard.

Other Recommended Reading and Information
In order to get a good feel for the topics in the course as they are presented in the “real” world, I encourage you to read or visit websites including: Financial Times, Bloomberg, Wall Street Journal, The New York Times, etc. I will occasionally post articles on Blackboard from one of these or similar sources. These should be regarded as required reading.

Course Prerequisites
Students are officially required to have taken FINA 363. You should have good familiarity with mathematics and statistics, and should be able to use Excel spreadsheets.

Calculator
You will need at least a scientific or graphing calculator in order to complete homework and exam problems, but a financial calculator such as an HP 12C or Texas Instruments BA II Plus may also be useful. The focus for calculations is largely on grasping the nature of securities valuation and portfolio metrics, so the use of Excel for assignments, and a calculator on exams, is required.
FINA 469 topics and learning objectives include:

1. **Securities Markets, Investment Vehicles, Global Context**
   - Asset classes, categories of securities, financial markets
   - How investments are implemented and the major participants in the financial markets
   - Distinguish between individual securities versus collective vehicles
   - Role of global securities exchanges and financial intermediaries
   - Role of market regulation and trading rules
   - Investment styles and categories, such as: value, growth, long/short, large cap, etc.
   - Explain the historical role and evolution of financial markets: Why do we have stock
     markets, bond markets, derivatives, hedge funds, 401(k) plans, pension plans, etc.?
   - Compare the Financial Crisis of 2007-09 with Great Depression, Tech Bubble, LTCM…

2. **Portfolio Theory and Quantitative Tools**
   - Compute various measures of return on multi-year investments.
   - Use data on the past performance of stocks and bonds or scenario analysis to
     characterize the risk and return features of these investments.
   - Determine the expected return and risk of portfolios that are constructed by combining
     risky assets with risk-free investments in Treasury bills.
   - Use the Sharpe ratio to evaluate the investment performance of a portfolio.
   - How covariance and correlation affect power of diversification to reduce portfolio risk.
   - Calculate mean, variance, covariance, Beta, using either historical data or scenario
     analysis.
   - Construct efficient portfolios and use the Sharpe ratio to evaluate portfolio efficiency.
   - Calculate the composition of the optimal risky portfolio.
   - Use index models to analyze risk and return characteristics of securities and portfolios.
   - Use the implications of capital market theory to estimate security risk premiums.
   - Construct and use the security market line.

3. **Efficient Market Hypothesis**
   - Intuitively understand the efficient market hypothesis
   - Understand evidence that supports and contradicts the efficient market hypothesis
   - Understand the implications of an efficient market for different types of analysis and
     active versus passive portfolio management

4. **Asset Classes and Securities**
   - Compute a bond’s price given its yield to maturity, and compute its yield to maturity
     given its price by hand and in excel, and calculate how bond prices change given
     interest rate changes
   - Identify the determinants of bond ratings and how credit risk is reflected in bond yields.
   - Calculate measures of bond return, and understand how they may be affected by taxes.
   - Use financial statements and market comparables to estimate firm value.
   - Calculate the intrinsic value of a firm using either constant-growth or multistage dividend
     discount model, and assess the prospects of a firm, relate growth to the P/E ratio.
   - Calculate payoffs to various option positions as a function of ultimate security prices.
   - Formulate option strategies to modify portfolio risk-return attributes.
   - Identify embedded options in various securities and determine how option characteristics
     affect the prices of those securities.
Recommended Finance-Related Books
Against The Gods and Capital Ideas, by Peter Bernstein.
When Genius Failed and The End of Wall Street, by Roger Lowenstein.
The House of Morgan and Titan, by Ron Chernow.
Fooled By Randomness, by Nassim Nicholas Taleb.
Too Big To Fail, by Andrew Ross Sorkin.
The Worldly Philosophers, by Robert Heilbroner.
The Intelligent Investor, by Benjamin Graham.

Evaluation
The course’s graded assignments will consist of the following: two exams during the term; a cumulative final exam; homework assignments, problem sets, and class participation.

Grading Components and Weightings
Homework, Problem Sets, Class Participation 20%
Exam 1 25%
Exam 2 25%
Final Exam (cumulative) 30%

Grade Scale
A 90-100
B+ 88-89
B 80-87
C+ 78-79
C 70-77
D 60-69
F 59 and below

Blackboard & McGraw-Hill Connect
I will post relevant updates, materials, and information to Blackboard on a regular basis. You are responsible for checking Blackboard regularly for new information or potential changes. Please access all problem set assignments directly through Blackboard, which is linked to MH Connect.

If you have technical support issues related to MH Connect, use the following contact information:

MH Connect Tech Support
Phone: 800-331-5094
Email & Chat: www.mhhe.com/support
Additional Information: www.connectstudentsuccess.com
**Exams and Assignments**

Homework will be assigned periodically via Blackboard and McGraw-Hill Connect during the semester, consisting of problem sets and Excel assignments. We will also occasionally work through assignments and problems during class. If you do not complete a homework or in-class assignment, you will receive a score of zero for the missed assignment. The use of Stock Trak will also be included as part of the assignment & class participation score for the course.

Due dates and times for all assignments will be clearly listed on Blackboard. Assignments typically provide plenty of time between the date announced and the due date. It is your responsibility to keep up with assignments, and to submit them on time. I will not accept late assignments. All assignments are to be submitted via Blackboard (you should access McGraw-Hill Connect through the link for the course in Blackboard). I will not accept assignments via email. The lowest homework/in-class exercise grade will be dropped.

Exams will be held in class and at the listed Final Exam times. If for any reason you miss Exam 1 or Exam 2, the points for that exam will be assigned to the Final Exam. For each exam, you are permitted a formula sheet, which I will provide. The only items permitted during the exam are: formula sheet, the exam form, No. 2 pencils, a Scantron form, and a calculator. Cell/Smart phones are absolutely not permitted during the exam, and may not be used as calculators. There is no sharing of any resources during the exam. Any violation of these guidelines will result in a grade of 0 for all involved parties on the exam, and will be considered a violation of the Honor Code.

**Classroom Guidelines and Attendance**

At the beginning of each class meeting, students should turn off all laptops, and place them under their seat, in their case, or under the table. This will reduce distractions for you, your instructor, and your fellow students. The same policy applies to smart/cell phones, except when directed to access Top Hat.

Do not leave the room or get out of your seat once class has begun, unless you have checked with me before the start of class. You should plan accordingly, and use the restroom, get a drink of water, etc., before class begins.

**Schedule**

I am including an anticipated schedule of the order and pace with which the material will be covered. This schedule is subject to change depending on how the course progresses. I will keep you apprised of any changes as we move through the semester. The textbook is required, and will serve as an excellent reference and resource. However, the material covered in class should be your guide for the types of questions you will encounter on exams. I’ve listed the chapters associated with each group of topics, but we will not necessarily proceed in lockstep with the textbook.
## ANTICIPATED SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic(s)</th>
<th>Reading</th>
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<tbody>
<tr>
<td>1/9/2017</td>
<td>Intro; Asset Classes, Securities, Investment Companies</td>
<td>Syllabus; Ch. 1-4</td>
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<tr>
<td>1/16/2017</td>
<td>MLK Jr. Day 1/16 No Classes ; Asset Classes &amp; Securities</td>
<td>Ch. 1-4</td>
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<tr>
<td>1/23/2017</td>
<td>Asset Classes &amp; Securities</td>
<td>Ch. 1-4</td>
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<tr>
<td>1/30/2017</td>
<td>Risk-Return; Efficient Diversification; Portfolio Theory</td>
<td>Ch. 5-6</td>
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<tr>
<td>2/6/2017</td>
<td>Risk-Return; Efficient Diversification; Portfolio Theory</td>
<td>Ch. 5-6</td>
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<td>2/13/2017</td>
<td>Portfolio Theory; EXAM 1 on 2/15 &amp; 2/16</td>
<td>Ch. 1-6</td>
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<td>2/20/2017</td>
<td>CAPM; EMH; Market Equilibrium; Behavioral Finance</td>
<td>Ch. 7-9</td>
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<tr>
<td>2/27/2017</td>
<td>CAPM; EMH; Market Equilibrium; Behavioral Finance</td>
<td>Ch. 7-9</td>
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<td>3/6/2017</td>
<td>Spring Break March 5-12</td>
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<tr>
<td>3/13/2017</td>
<td>Bonds; Bond Portfolios</td>
<td>Ch. 10-11</td>
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<td>3/20/2017</td>
<td>Bonds; EXAM 2 on 3/22 &amp; 3/23</td>
<td>Ch. 7-11</td>
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<td>3/27/2017</td>
<td>Macroeconomic Analysis; Equity Valuation</td>
<td>Ch. 12-14</td>
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<td>4/3/2017</td>
<td>Macroeconomic Analysis; Equity Valuation</td>
<td>Ch. 12-14</td>
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<td>4/10/2017</td>
<td>Derivatives &amp; Applied Portfolio Management</td>
<td>Ch. 15-17</td>
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<tr>
<td>4/17/2017</td>
<td>Derivatives &amp; Applied Portfolio Management</td>
<td>Ch. 15-17</td>
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<td>4/24/2017</td>
<td>Monday 4/24 Last Day of Class; Reading Day April 25</td>
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<tr>
<td>4/26/2017</td>
<td>FINA 469 - SECTION 004 - Final Exam - 12:30 PM</td>
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<td>4/27/2017</td>
<td>FINA 469 - SECTION 006 - Final Exam - 9:00 AM</td>
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<tr>
<td>4/28/2017</td>
<td>FINA 469 - SECTION 005 - Final Exam - 4:00 PM</td>
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### University of South Carolina Honor Code

All forms of academic dishonesty are prohibited. These include cheating, plagiarism, lying in academic matters, fraud, bribery, unauthorized access to tests and examinations. I expect that you follow the highest possible interpretations of the honor code. Here is a link to the USC Honor Code:

[https://www.sa.sc.edu/academicintegrity/honor-code-policy-information/](https://www.sa.sc.edu/academicintegrity/honor-code-policy-information/)

### Darla Moore School of Business

#### Code of Student Conduct for Undergraduate Students

In addition to the USC Honor Code, you are expected to be aware of and follow the DMSB Code of Conduct for Undergraduate Students, found here:

[http://moore.sc.edu/studentlife/studentrightsandresponsibilities/studentcodeofconduct.aspx](http://moore.sc.edu/studentlife/studentrightsandresponsibilities/studentcodeofconduct.aspx)