

<b>Course</b>	FINC 5210 Investments	
<b>Term</b>	Summer 2008	
<b>Instructor</b>	Lorraine Gilbertson gilbertl@webster.edu 816-478-6604	
<b>Catalog Description</b>	Principles and methods of investing in securities of business and government. This course is a study of practical management of portfolios containing both fixed-income and equity investments. The course will examine the issues in and the procedures for security analysis and a brief introduction to portfolio management. The emphasis is on the application of analytical techniques for individual investors.	
<b>Prerequisites</b>	FINC 5000	
<b>Course Level Learning Outcomes</b>	<b>Outcome</b>	<b>Expectation</b>
	1. Students can calculate the value of fixed income securities	Students can compute yield-to-maturity given current bond information. Students can also compute yield to call and realized compound yields.
	2. Students can calculate the value of equity securities	Students can compute the value of equity securities using both the earnings multiplier model and the dividend valuation approach.
	3. Students are able to discuss market functioning and the role efficient markets play in security valuation	Students can explain whether or not observed return patterns violate market efficiency and, if so, which type of market efficiency is violated.
	4. Students can evaluate credit and interest rate risk	Students can compute duration and establish strategies for reducing risk using duration matching.
	5. Students demonstrate understanding of equity valuation including the examination of economic indicators and industry-level data for a firm.	Students can prepare an individually- written case analysis on a publicly-traded company of their choosing. This analysis requires students to estimate the value of equity using fundamental valuation and considering the impact of market and industry conditions.
6. Students can research securities and to make actual trades using a stock simulation package.	Students can justify stock selections using information gathered from commonly used investment data sources. Trades will take place in a trading simulation package, such as StockTrak.	

<b>Materials</b>	<p>1. Bodie, Kane, and Marcus, <u>Investments</u>, 7<sup>th</sup> edition, McGraw-Hill, ISBN 007331465X</p> <p>2. Investopedia Stock Simulation (no text required).</p> <p>Text may be purchased from MBSDirect at 1-800-325-3252 or <a href="http://www.mbsdirect.net">www.mbsdirect.net</a>.</p> <p>Access to the <i>Wall Street Journal</i> and other financial publications.</p>										
<b>Grading</b>	<p>Grades will be calculated based on the following:</p> <table border="1" data-bbox="375 520 815 894"> <tr> <td>Midterm Exam</td> <td>25%</td> </tr> <tr> <td>Final Exam</td> <td>30%</td> </tr> <tr> <td>Investment Project</td> <td>20%</td> </tr> <tr> <td>Investopedia</td> <td>10%</td> </tr> <tr> <td>Assignments</td> <td>15%</td> </tr> </table> <p><b>The GRADUATE catalog provides these guidelines and grading options:</b></p> <ul style="list-style-type: none"> <li>• <b>A/A-</b> Superior graduate work</li> <li>• <b>B+/B/B-</b> Satisfactory graduate work</li> <li>• <b>C</b> Work that is barely adequate as graduate-level performance</li> <li>• <b>CR</b> Work that is performed as satisfactory graduate work (B- or better). A grade of "CR" is reserved for courses designated by a department, involving internships, a thesis, practicums, or specified courses.</li> <li>• <b>F</b> Work that is unsatisfactory</li> <li>• <b>I</b> Incomplete work</li> <li>• <b>ZF</b> An incomplete which was not completed within one year of the end of the course. ZF is treated the same as an F or NC for all cases involving G.P.A., academic warning, probation, and dismissal.</li> <li>• <b>IP</b> In progress</li> <li>• <b>NR</b> Not reported</li> <li>• <b>W</b> Withdrawn from the course</li> </ul>	Midterm Exam	25%	Final Exam	30%	Investment Project	20%	Investopedia	10%	Assignments	15%
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<b>Activities</b>	<ul style="list-style-type: none"> <li>• This course requires reading, problem solving, writing, and presentation skills. Students will demonstrate mastery of the course material through active discussion involving current investment articles in the <i>Wall Street Journal</i> or other major investment publications, and application of course content to current news events.</li> <li>• Students will demonstrate mastery of investment analysis by conducting an in-depth analysis on a publicly-traded stock of their choosing. Students may work individually or in a group. The analysis will also be presented as a brief in-class discussion led by each student or group of students.</li> <li>• Outside reading of current investment publications, such as Barron's or the <i>Wall Street Journal</i>, or other publications to support various ideas (for example, the short book, "A Random Walk Down Wall Street," supports market efficiency).</li> <li>• Textbook problems are also used to ensure students understand a variety of related</li> </ul>										

	<p>equations, such as reduction of risk through diversification using assets with negative correlations, how to determine equity value using the Gordon and Price/Equity approaches to equity valuation, and more.</p> <ul style="list-style-type: none"> <li>• A stock simulation through Investopedia will be used to enable you to have the experience of realistic investing in individual securities. It is geared for both beginning and advanced investors.</li> </ul>
<p><b>Policy Statements:</b> <b>University Policies</b></p>	<p>University policies are provided in the current course catalog and course schedules. They are also available on the university website. This class is governed by the university's published policies. The following policies are of particular interest:</p> <p><i>Academic Honesty</i></p> <p>The university is committed to high standards of academic honesty. Students will be held responsible for violations of these standards. Please refer to the university's academic honesty policies for a definition of academic dishonesty and potential disciplinary actions associated with it.</p> <p><i>Drops and Withdrawals</i></p> <p>Please be aware that, should you choose to drop or withdraw from this course, the date on which you notify the university of your decision will determine the amount of tuition refund you receive. Please refer to the university policies on drops and withdrawals (published elsewhere) to find out what the deadlines are for dropping a course with a full refund and for withdrawing from a course with a partial refund.</p> <p><i>Special Services</i></p> <p>If you have registered as a student with a documented disability and are entitled to classroom or testing accommodations, please inform the instructor at the beginning of the course of the accommodations you will require in this class so that these can be provided.</p> <p><i>Disturbances</i></p> <p>Since every student is entitled to full participation in class without interruption, disruption of class by inconsiderate behavior is not acceptable. Students are expected to treat the instructor and other students with dignity and respect, especially in cases where a diversity of opinion arises. Students who engage in disruptive behavior are subject to disciplinary action, including removal from the course.</p> <p><i>Student Assignments Retained</i></p> <p>From time to time, student assignments or projects will be retained by The Department for the purpose of academic assessment. In every case, should the assignment or project be shared outside the academic Department, the student's</p>

name and all identifying information about that student will be redacted from the assignment or project.

**Contact Hours for this Course**

It is essential that all classes meet for the full instructional time as scheduled. A class cannot be shortened in length. If a class session is cancelled for any reason, it must be rescheduled.

**Course Policies**

Academic Dishonesty: Webster University strives to be a center of academic excellence. As part of our Statement of Ethics, the University strives to preserve academic honor and integrity by repudiating all forms of academic and intellectual dishonesty, including cheating, plagiarism and all other forms of academic dishonesty. Academic Dishonesty is unacceptable and is subject to a disciplinary response. See the Webster University Graduate Catalog for a complete description. The University reserves the right to utilize electronic databases, such as Turnitin.com, to assist faculty and students with their academic work.

**Weekly Schedule**

The schedule below presents an approximate expectation of course progress. The instructor reserves the right to add, delete, or modify any weeks of this schedule. Any changes will be announced in class. Please read assigned chapters before class.

Wk	Chapters and Topics	Assignments
1	<ul style="list-style-type: none"> <li>• C1 Introduction</li> <li>• C2 Assets Classes</li> <li>• C3 How Securities are Traded</li> <li>• Investopedia investment analysis</li> </ul>	C1: 1,2,3,15 C2: 1,3,6,13 C3: 3,4,6,9,21
2	<ul style="list-style-type: none"> <li>• C17 Macroeconomic &amp; Industry Analysis</li> <li>• C18 Equity Valuation Models</li> <li>• C19 Financial Statement Analysis</li> <li>• Introduce final project</li> <li>• Start trading with Investopedia</li> </ul>	C17: 3,4,8,21 C18: 8,17,26 C19: 1,6,8 Investopedia: stock trades
3	<ul style="list-style-type: none"> <li>• C4 Mutual Funds</li> <li>• C14 Bond Prices and Yields</li> </ul>	C4: 4,5,6 C14: 1,3,26,29 Investopedia trading
4	<ul style="list-style-type: none"> <li>• MIDTERM EXAMINATION</li> <li>• C15 Term Structure of Interest Rates</li> <li>• C16 Managing Bond Portfolios</li> </ul>	C15: 2,6,10 C16: 2,5,12
5	<ul style="list-style-type: none"> <li>• C12 Behavioral Finance &amp; Technical Analysis</li> <li>• C20 Options Markets</li> </ul>	C12: 4,7,9,10 C20: 1, 26,28 Investopedia option

	<ul style="list-style-type: none"> <li>• C21 Option Valuation</li> </ul>	trades
6	<ul style="list-style-type: none"> <li>• C22 Futures Markets</li> <li>• C23 Futures and Swaps</li> </ul>	C22: 1,8,20 C23: 2,8ab Investopedia trading
7	<ul style="list-style-type: none"> <li>• C24 Portfolio Performance Evaluation</li> <li>• C25 International Diversification</li> <li>• C26 Investment Policy &amp; CFA Institute</li> </ul>	C24: 1,7,12 C25: 1,4 C26 2,3,4
8	<ul style="list-style-type: none"> <li>• C27 Theory of Active Portfolio</li> <li>• Student presentations of projects</li> </ul>	Final Projects on Investment Analysis and Investopedia Analysis
9	<ul style="list-style-type: none"> <li>• Final Examination</li> </ul>	
<p>**Investment Project. Select a public company that trades on a stock exchange and conduct an in-depth analysis of the company. Your own analysis is by far the most important part of the project. The analysis should include:</p> <ul style="list-style-type: none"> <li>• A macroeconomic analysis</li> <li>• An industry analysis</li> <li>• Risk assessment</li> <li>• How your stock compares to an index such as the S&amp;P 500</li> <li>• Projection on how the stock will perform in the future</li> <li>• Option and futures data, if any</li> <li>• Whether your stock's valuation is accurate based on technical analysis</li> <li>• Whether your stock's valuation is accurate based on fundamental analysis</li> <li>• Your overall assessment as to whether the stock's valuation is accurate</li> <li>• Would you recommend investing in the company</li> </ul> <p>Paper and presentation:</p> <ul style="list-style-type: none"> <li>• Limit the paper to 7 pages, double-spaced, plus a bibliography. Be sure to credit your sources within the body of the paper either by reference to endnotes or as footnotes.</li> <li>• Be prepared to give a brief oral presentation, 5-15 minutes</li> </ul> <p>**Computer Simulation. Investopedia will be used to provide students with hands-on experience in realistic investing and selecting securities for their own portfolios. Include a variety of transactions. The simulation should include:</p> <ul style="list-style-type: none"> <li>• 30 transactions (include at least 8 of the following types) <ul style="list-style-type: none"> <li>○ Market order to buy stock</li> <li>○ Limit order to buy stock</li> <li>○ Market order to sell stock</li> <li>○ Stop order to sell stock</li> <li>○ Sell stock short</li> <li>○ Buy to cover short sale</li> </ul> </li> </ul>		

	<ul style="list-style-type: none"> <li>○ Call option – buy to open</li> <li>○ Call option – sell to close</li> <li>○ Put option – buy to open</li> <li>○ Put option – sell to close</li> <li>● Be prepared to discuss some of your transactions during weekly class sessions</li> <li>● A brief written summary of how you approached the simulation, e.g., did you make selections randomly or did you research first, or did you do both. The summary should also include an assessment of how your portfolio performed, and what you learned from the simulation.</li> </ul>	
<p><b>Additional Information</b></p>	<p>If you miss class you are responsible for getting notes and assignments. <i>No late homework will be accepted, unless approval is obtained in advance.</i></p> <p>Each student needs a Connections account. Outside the classroom communications will be conducted through Connections. We will discuss this requirement the first week of class.</p> <p>You need to register for the stock simulation at the Investopedia web site.</p> <p>Register at:  <a href="http://simulator.investopedia.com/Join.aspx?ad=IG_PREVITE_1&amp;G=56678&amp;PW=invest">http://simulator.investopedia.com/Join.aspx?ad=IG_PREVITE_1&amp;G=56678&amp;PW=invest</a>.</p> <p>The name of the stock simulation is FINC5210SU08 and the password is invest.</p>	

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