

Course	FINC 5210 Investments	
Term	Summer 2009	
Instructor	Lorraine Gilbertson gilbertl@webster.edu 816-478-6604	
Catalog Description	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.	
Prerequisites	FINC 5000	
Course Level Learning Outcomes	Outcome	Expectation
	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.
Materials	<ol style="list-style-type: none"> 1. Bodie, Kane, and Marcus, <u>Investments</u>, 8th edition, McGraw-Hill, ISBN 978-0-07-338237-1 2. Investopedia Stock Simulation (no text required). <p>Text may be purchased from MBSDirect at 1-800-325-3252 or www.mbsdirect.net.</p>	

	Access to the <i>Wall Street Journal</i> and other financial publications.										
Grading	<p>Grades will be calculated based on the following:</p> <table border="1"> <tr> <td>Midterm Exam</td> <td>25%</td> </tr> <tr> <td>Final Exam</td> <td>25%</td> </tr> <tr> <td>Investment Project</td> <td>25%</td> </tr> <tr> <td>Investopedia</td> <td>10%</td> </tr> <tr> <td>Assignments</td> <td>15%</td> </tr> </table> <p>The GRADUATE catalog provides these guidelines and grading options:</p> <ul style="list-style-type: none"> • A/A- Superior graduate work • B+/B/B- Satisfactory graduate work • C Work that is barely adequate as graduate-level performance • CR 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. • F Work that is unsatisfactory • I Incomplete work • ZF 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. • IP In progress • NR Not reported • W Withdrawn from the course 	Midterm Exam	25%	Final Exam	25%	Investment Project	25%	Investopedia	10%	Assignments	15%
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Activities	<ul style="list-style-type: none"> • 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. • 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. • Outside reading of current investment publications, such as <i>Barron's</i> 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). • Textbook problems are also used to ensure students understand a variety of related 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. • 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. 										
Policy	University policies are provided in the current course catalog and course schedules.										

<p>Statements: University Policies</p>	<p>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 name and all identifying information about that student will be redacted from the assignment or project.</p> <p><i>Contact Hours for this Course</i></p> <p>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.</p>
<p>Course</p>	<p>Academic Dishonesty: Webster University strives to be a center of academic excellence.</p>

Policies	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	<p>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.</p> <table border="1" data-bbox="375 495 1414 1925"> <thead> <tr> <th data-bbox="375 600 440 632">Wk</th> <th data-bbox="440 600 1089 632">Chapters and Topics</th> <th data-bbox="1089 600 1414 632">Assignments</th> </tr> </thead> <tbody> <tr> <td data-bbox="375 674 440 705">1</td> <td data-bbox="440 674 1089 831"> <ul style="list-style-type: none"> • C1 Introduction • C2 Assets Classes • C3 How Securities are Traded • Investopedia investment analysis </td> <td data-bbox="1089 674 1414 768"> C1: 6,7,8,15 C2: CFA 1,3,4 C3: 5,6,8,11; CFA: 2 </td> </tr> <tr> <td data-bbox="375 842 440 873">2</td> <td data-bbox="440 842 1089 947"> <ul style="list-style-type: none"> • C4 Mutual Funds • C17 Macroeconomic & Industry Analysis • Start trading with Investopedia </td> <td data-bbox="1089 842 1414 905"> C4: 7,8,9 C17: 9; CFA 1,2,8 </td> </tr> <tr> <td data-bbox="375 978 440 1010">3</td> <td data-bbox="440 978 1089 1083"> <ul style="list-style-type: none"> • C18 Equity Valuation Models • C19 Financial Statement Analysis • Introduce final project </td> <td data-bbox="1089 978 1414 1083"> C18: 8,10,15 C19: CFA 1,3,5 Trade with Investopedia </td> </tr> <tr> <td data-bbox="375 1125 440 1157">4</td> <td data-bbox="440 1125 1089 1188"> <ul style="list-style-type: none"> • C20 Options Markets • C21 Option Valuation </td> <td data-bbox="1089 1125 1414 1230"> C20: 5; CFA 3,5 C21: 11,12 Trade with Investopedia </td> </tr> <tr> <td data-bbox="375 1241 440 1272">5</td> <td data-bbox="440 1241 1089 1377"> <ul style="list-style-type: none"> • MIDTERM EXAMINATION • C11 The Efficient Market Hypothesis • C12 Behavioral Finance & Technical Analysis </td> <td data-bbox="1089 1241 1414 1398"> C11: 14, CFA 1,2,3,4,5 C12: 7,9,10; CFA 4 Trade with Investopedia </td> </tr> <tr> <td data-bbox="375 1451 440 1482">6</td> <td data-bbox="440 1451 1089 1556"> <ul style="list-style-type: none"> • C14 Bond Prices and Yields • C15 Term Structure of Interest Rates • C16 Managing Bond Portfolios </td> <td data-bbox="1089 1451 1414 1577"> C14: 1,4,24; CFA 4 C15: 4; CFA 2,5 C16: 4,7; CFA 4 Trade with Investopedia </td> </tr> <tr> <td data-bbox="375 1587 440 1619">7</td> <td data-bbox="440 1587 1089 1650"> <ul style="list-style-type: none"> • C24 Portfolio Performance Evaluation • C25 International Diversification </td> <td data-bbox="1089 1587 1414 1682"> C24: 4,10; CFA 1 C25: 3; CFA 1 Trade with Investopedia </td> </tr> <tr> <td data-bbox="375 1766 440 1797">8</td> <td data-bbox="440 1766 1089 1829"> <ul style="list-style-type: none"> • C26 Hedge Funds • Student presentations of projects </td> <td data-bbox="1089 1766 1414 1881"> C26: 1,2,3,5 Investment Project and Investopedia Analysis Due </td> </tr> <tr> <td data-bbox="375 1892 440 1923">9</td> <td data-bbox="440 1892 1089 1923"> <ul style="list-style-type: none"> • Wrap-up </td> <td data-bbox="1089 1892 1414 1923"></td> </tr> </tbody> </table>	Wk	Chapters and Topics	Assignments	1	<ul style="list-style-type: none"> • C1 Introduction • C2 Assets Classes • C3 How Securities are Traded • Investopedia investment analysis 	C1: 6,7,8,15 C2: CFA 1,3,4 C3: 5,6,8,11; CFA: 2	2	<ul style="list-style-type: none"> • C4 Mutual Funds • C17 Macroeconomic & Industry Analysis • Start trading with Investopedia 	C4: 7,8,9 C17: 9; CFA 1,2,8	3	<ul style="list-style-type: none"> • C18 Equity Valuation Models • C19 Financial Statement Analysis • Introduce final project 	C18: 8,10,15 C19: CFA 1,3,5 Trade with Investopedia	4	<ul style="list-style-type: none"> • C20 Options Markets • C21 Option Valuation 	C20: 5; CFA 3,5 C21: 11,12 Trade with Investopedia	5	<ul style="list-style-type: none"> • MIDTERM EXAMINATION • C11 The Efficient Market Hypothesis • C12 Behavioral Finance & Technical Analysis 	C11: 14, CFA 1,2,3,4,5 C12: 7,9,10; CFA 4 Trade with Investopedia	6	<ul style="list-style-type: none"> • C14 Bond Prices and Yields • C15 Term Structure of Interest Rates • C16 Managing Bond Portfolios 	C14: 1,4,24; CFA 4 C15: 4; CFA 2,5 C16: 4,7; CFA 4 Trade with Investopedia	7	<ul style="list-style-type: none"> • C24 Portfolio Performance Evaluation • C25 International Diversification 	C24: 4,10; CFA 1 C25: 3; CFA 1 Trade with Investopedia	8	<ul style="list-style-type: none"> • C26 Hedge Funds • Student presentations of projects 	C26: 1,2,3,5 Investment Project and Investopedia Analysis Due	9	<ul style="list-style-type: none"> • Wrap-up 	
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- Final Examination

Investment project. Analyze various types of investments and build a portfolio of your choosing. Your analysis should include:

1. Portfolio objectives
2. Asset allocation
3. Reasons for selections
4. How you will monitor performance
5. How you will make changes to the portfolio
6. Why you think your portfolio is conservative or aggressive
7. Papers must be typed, double-spaced, not to exceed 5-10 pages plus a bibliography. You may include as many exhibits or attachments as you wish.
8. Each student will also give a brief 10-15minute oral presentation of the paper.

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:

1. 30 transactions (include at least 8 of the following types)
 - a. Market order to buy stock
 - b. Limit order to buy stock
 - c. Market order to sell stock
 - d. Stop order to sell stock
 - e. Sell stock short
 - f. Buy to cover short sale
 - g. Call option – buy to open
 - h. Call option – sell to close
 - i. Put option – buy to open
 - j. Put option – sell to close
2. Be prepared to discuss some of your transactions during weekly class sessions
3. 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.

Additional Information	<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: http://simulator.investopedia.com/Join.aspx?ad=IG_PREVITE_1&G=56678&PW=invest.</p> <p>The name of the stock simulation is FINC5210SU09 and the password is invest.</p>
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