


<b>Course</b>	<b>FINC 5210 Investments</b>									
<b>Term</b>	<b>Summer 2007 : Wednesdays May 30<sup>th</sup> To July 25<sup>th</sup> 2007</b>									
<b>Instructor</b>	<p><b>Name: Roger E. Pigeon</b></p>  <p><b>Phone: (760)483-0935</b> <b>Email: Rpigeon@Webster.edu</b></p>									
<b>Catalog Description</b>	<p><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 portfolio management. The emphasis is on the application of analytical techniques and portfolio management theories for individual investors.</b></p>									
<b>Prerequisites</b>	<b>FINC 5000</b>									
<b>Intent of the Course</b>	<p><b>The intent of this course is to provide a solid understanding of investments. In the course, students study fixed-income investments, equity investments, mutual funds and other pooled -investment vehicles, derivative securities, money market as well as capital market securities, and more. They learn how markets function, and will have the opportunity to practice managing a portfolio using a simulation tool. This course serves as the pre-requisite for FINC 5910, Advanced Investments and Portfolio Management, which focuses much more intensely on the portfolio management process (students will get some limited exposure to putting portfolios together within FINC 5210). Within the MS Finance degree, this course is required of all students. Many MBA and other business students can also benefit greatly from taking FINC 5210 as an elective course, as they will gain many valuable insights that could help them with personal investing decisions. This course can function well as a stand-alone elective course for a variety of different graduate majors.</b></p>									
<b>Course Level Learning Outcomes</b>	<table border="1"> <thead> <tr> <th><b>Outcome</b></th> <th><b>Expectation</b></th> </tr> </thead> <tbody> <tr> <td>1. Students can calculate the value of fixed income securities</td> <td>Students can compute yield-to-maturity given current bond information. Students can also compute yield to call and realized compound yields.</td> </tr> <tr> <td>2. Students can calculate the value of equity securities</td> <td>Students can compute the value of equity securities using both the earnings multiplier model and the dividend valuation approach.</td> </tr> <tr> <td>3. Students are able to discuss market</td> <td>Students can explain whether or not observed return patterns violate market efficiency and, if so, which</td> </tr> </tbody> </table>		<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	Students can explain whether or not observed return patterns violate market efficiency and, if so, which
	<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	Students can explain whether or not observed return patterns violate market efficiency and, if so, which									

	functioning and the role efficient markets play in security valuation	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>Course Content</b>	<p><b>Introduction to financial markets (30%). This includes an introduction to the investment environment, an introduction to capital and money markets and the instruments in each, a discussion of how security trading occurs, an introduction to investment companies and a discussion of how mutual fund trading and pricing occur, a discussion of the history of interest rates and risk premiums for different classes of investments.</b></p> <p><b>Introduction to portfolio theory (5%). Portfolio theory will be briefly introduced through a discussion on risk and risk averse investor behavior. More detailed discussion of portfolio theory is covered in FINC 5910, Advanced investments and portfolio management</b></p> <p><b>Introduction to market efficiency (10%). Students are introduced to the three levels of market efficiency. Discussion will occur on research supporting, or not supporting, the various levels of efficiency.</b></p> <p><b>Introduction to fixed-income securities (15%). Students are introduced to bond yields and pricing, and the term structure of interest rates.</b></p> <p><b>Security analysis (40%). Students learn about macroeconomic and industry analysis as a part of an overall security analysis. Various equity valuation models are introduced, including models based on balance sheet valuation, discount valuation, dividend valuation, and P/E-based models. Students are also introduced to financial statement analysis and how to use ratios in equity valuation.</b></p>	

**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 Wall Street Journal 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.**

**Outside reading of current investment publications, such as Barron's or the Wall Street Journal, or other publications to support various ideas (for example, the short book, "A Random Walk Down Wall Street," supports market efficiency covered in chapters 12 and 13.**

**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 correlation's, how to determine equity value using the Gordon and Price/Equity approaches to equity valuation, and more.**

**A stock simulation, such as StockTrak, will be used to enable students to have the experience of realistic investing, as many will not have had experience, outside of perhaps making selections within their employers' retirement account, of having to select securities for their own portfolios.**

<p><b>Course Activities</b></p>	<p><b>Required Course Activities</b></p>
<p><b><u>IMPORTANT</u></b></p>	<p><b><u>Term Project: Stock-Trak</u></b></p> <p>Your project grade will be determined by the variety of investment instruments and the number of buys &amp; sells actions that you make.  <b>Note:</b> As a purchaser of the text you should receive a \$7.00 Discount towards your Stock-Track Account.          Your will need the certificate number, which will be provided with the text, to open your account.</p>
<p><b>REQUIRED Course Assessment</b></p>	<hr/> <p>The registration fee is \$24.95 per account without the discount.          Register at: <a href="http://www.stocktrak.com">www.stocktrak.com</a></p> <p><b><u>THE INSTRUCTOR WILL PROVIDE YOU WITH YOUR ACCOUNT #</u></b></p> <hr/> <p style="text-align: center;"><b><u>Academic Assessment at Webster University</u></b></p> <p style="text-align: center;"><b>Investment Projects</b></p> <p><b><u>Project 1 of 2</u></b></p> <p><b>Scenario</b></p> <p>You have just completed your MBA, and have changed careers. You have taken a position as an investment analyst. You are scheduled to submit your first individual recommendation within a few weeks, and everybody’s looking to squeeze the rookie.</p> <p><b>Your Task</b></p> <p>Your job is to first, choose a publicly traded security. In the interest of corporate governance and independent decision-making, you are not permitted to select the company that you currently work for. Then, you will analyze this security, and provide a recommendation on whether or not to take a position in it to your firm's board. If your recommendation is to “not” take a position in the security, assume that it is held in the company’s portfolio and you are therefore making a recommendation to unload it. Contrary to much of the actual street research that we see, <b><u>YOU ARE NOT PERMITTED TO SUBMIT A HOLD RECOMMENDATION – THIS WILL GET YOU A FULL LETTER GRADE REDUCTION, NO EXCEPTIONS.</u></b></p> <p>The overall approach that most analysts take is not to analyze a company in a vacuum, but rather, to consider many of the factors that are discussed in your text, as well as industry, market, and economic factors. You are welcome to analyze a stock that you are already holding or have held in StockTrak; the choice is up to you. You need to be ready though to make a</p>

firm recommendation, back it up, and be prepared to defend it.

**Present Results**

Your firm, like many firms, has some "quality standards" they like to see used so that documents have a similar appearance and flow. All investment recommendations produced by the firm's analysts are typed and double-spaced. There is no exact requirement on number of pages; but in order to do a truly thorough job that also encompasses industry and macroeconomic analysis; you are generally at 5-6 pages minimum, exclusive of charts and references. An index at the front with referencing page numbers is generally appreciated also. Feel free to include any tables, graphs, or charts that you feel will impress the board, but please be sure to reference any materials you are using, and be careful not to plagiarize. I do not want a simple rehash of some Merrill Lynch stock recommendation you found – I see these every day and will know if your thoughts are not original. If you are lifting an entire graph or table from a source, this should be footnoted and cited. Feel free to include a power point presentation as well – they are easy to do and will increase the effectiveness of your argument as well as reflect the effort that was put into the project.

**Good luck and pick a winner!**

---

**Project 2 of 2**

1. Discuss the various forms of market efficiency. Include in your discussion the implications for each of the forms of market efficiency for the various types of securities analysts (technical analysts and fundamental analysts).
2. Discuss a violation of the Efficient Market Hypothesis and identify which level of efficiency (weak, semi-strong, or strong) would be violated and why. In your discussion, also indicate whether this situation presents an abnormal return opportunity and why/why not.

<p><b>Required Materials</b></p>	<p><b><u>Required Text:</u></b></p> <p><b><u>INVESTMENTS</u></b>, Essential of, 6<sup>th</sup> Edition, by Bodie, Kane &amp; Marcus, McGraw-Hill-Irwin Publisher ISBN: 0-07-304153-X or new ISBN: 13:978-0-07-304153-7</p> <p><b><u>Supplemental Readings:</u></b></p> <p><b><u>*Finance &amp; Investments using The Wall Street Journal</u></b> by Peter Crabb Published by: McGraw Hill/Irwin, ISBN 0-07282936-2 *Wall Street Journal</p>										
<p><b>Grading</b></p>	<p>The student will be graded and evaluated on their academic performance regarding:</p> <table border="0" style="width: 100%;"> <tr> <td>Midterm Exam</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>Final Exam</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>Term Project (Stock-Trak)</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>Homework (Chapter's "Web Master" &amp; "Standard &amp; Poors" Exercises)</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>Assessment project, Attendance &amp; Participation</td> <td style="text-align: right;">20%</td> </tr> </table> <p><b>Grading: (Graduate Courses)</b> A = 97-100, A- = 90 – 96, B+ = 87 –89, B = 84 –86, B- = 80 – 83, C = 70 –79, F = 69 and below</p> <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	20%	Final Exam	20%	Term Project (Stock-Trak)	20%	Homework (Chapter's "Web Master" & "Standard & Poors" Exercises)	20%	Assessment project, Attendance & Participation	20%
Midterm Exam	20%										
Final Exam	20%										
Term Project (Stock-Trak)	20%										
Homework (Chapter's "Web Master" & "Standard & Poors" Exercises)	20%										
Assessment project, Attendance & Participation	20%										
<p><b>Homework Assignments</b></p>	<p>Each assigned chapter in the textbook has two types of Investment exercises, one is called "Web Master" and the other is "Standard &amp; Poors".</p> <p>The students are required to complete each exercise and answer the</p>										

---

applicable questions in writing. At each class session students will be required to discuss their answers. The homework assignments will be collected at the end of each class session and graded.

---

**Policy  
Statements:  
University  
Policies**

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:

**Academic Honesty**

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:

**Academic Honesty**

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.

**Drops and Withdrawals**

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.

**Special Services**

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.

**Disturbances**

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.

**Student Assignments Retained**

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.

**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.

**REQUIRED USE OF PASSPORTS:**

Students are required to use Webster University's online library, **PASSPORTS** (<http://library.webster.edu>). **PASSPORT** offers access to many scholarly and professional publications free of charge. Check with the Academic Advisor or visit the website for more information about what is available via **PASSPORTS**.

**TURN-IT-IN PLAGIARISM DATABASE:**

Faculty encourages students to use the Turn-it-In Plagiarism Database and should include the password on the syllabus. (<http://library.webster.edu/turnitin.html>)

**WRITING ASSISTANCE:**

All students are encouraged to submit their research papers to the Webster On-Line Writing Center for review and assistance. (<http://www.webster.edu/acadaffairs/asp/wc/online.html>)

---

**Weekly Schedule**

**Week 1**

- \* Course Overview and Objectives
- \*Assign and Explain Term Project and Course Assessment Project
- \*Read and understand: Chapter' 1 & 2The Investment Setting
- \*Homework: Complete Chapter's 1 & 2 Web Master and Standard & Poors Exercises.

**Note: Exercises will be turned-in after each class. Students will be selected randomly each week to present their solutions to the exercises to the class.**

**Week 2**

- \*Read & understand chapters, 3 & 4
- \*Homework: Complete Chapter's 3 & 4 Web Master and Standard & Poors Exercises

**Week 3**

- \*Read & understand chapters, 7 & 8
- \*Homework: Complete Chapter's 7 & 8 Web Master and Standard & Poors Exercises

**Week 4**

- \*Read & understand chapters, 9 & 10
- \*Homework: Complete Chapter's 9 & 10 Web Master and Standard & Poors Exercises

---

**Week 5**

- **Midterm Exam**

**Week 6**

- \*Read & understand chapters, 11 & 13
- \*Homework: Complete Chapter's 11 & 13 Web Master and Standard & Poors Exercises

**Week 7**

- \*Read & understand chapters, 14 & 16
- \*Homework: Complete Chapter's 14 & 16 Web Master and Standard & Poors Exercises

**Week 8**

- \*Read & understand chapters, 20 & 21
- \*Homework: Complete Chapter's 20 & 21 Web Master and Standard & Poors Exercises

**Week 9**

- **Final Exam**
- **Turn-in Assessment Project**
- **Grade StockTrak Term Project**

---

**Attendance Policy**

Because of the extent of material to be covered in this nine-week class, it is important that you come well prepared. Students are responsible for all information given during the class instruction. Unexcused absences will adversely affect your grade. Unexcused absences are those, which are not cleared with the instructor before the class and/or are for reasons other than an emergency.

**Students missing two classes will not receive a passing grade nor receive credit for the course.**

**Class/Course Electronic Reserve Web Site:**

<http://ereserves.webster.edu/eres/coursepage.aspx?return=toolkit.aspx&page=p&cid=1680>

**Password is: SDINVEST**

**NOTE: The instructor without the notification or consent of the students may revise this syllabus.**

---

**COURSE  
INFORMATION**