Course Syllabus

For

FIN421: Portfolio Management

Fall 2015

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Office Hours: Tuesday 04:15-06:15PM.


**COURSE DESCRIPTION**

This is a course in portfolio management. That means we are going to learn all about the accumulation, preservation and growth of equity in the capital markets. In other words, we will learn how to get “rich”. Before we do that, we will need to learn exactly what are capital markets. Learning about the functions of the markets will keep us busy for a while. But after that, we can get into the fun stuff. Like, are stocks and other assets that trade in the capital markets predictable, or should we just buy index funds? What's the deal with these Internet stocks? What is the best way to get “rich” in the market? You will find out that an objective opinion is that assets are predictable some of the time, but we have to use a good deal of caution to distinguish between chance correlation and true causality. As this is an advanced class, we will attempt to analyze the tenets of investment theory from a very critical standpoint. Unfortunately, this will often times lead to answers such as “it depends,” “no one knows,” and “we need more data.”

**COURSE MATERIALS**

The required materials for this course are:


We will use Blackboard to distribute class information, assignments, and to post grades. For example, a copy of the syllabus, graded homeworks, and answers to graded homeworks and exams will be posted.

For the direct link to Blackboard, click [here](https://blackboard.sdsu.edu/webapps/login).

**CLASS PREPARATION**

I will provide the lecture notes on Blackboard. The lecture overheads will be accompanied by frequent on-board examples. Giving you the overheads allows you to concentrate on learning and understanding the material as it is presented instead of mindlessly copying down notes and getting severe writers cramp!

You will learn more and get more out of the lectures if you have read the lecture overheads and the corresponding text material prior to class. The classes will generally focus on major issues and concepts in the textbook; however, you are responsible for all of the assigned materials. As partial preparation for the exams, it is suggested that you work the end-of-chapter problems.

As a prerequisite for the class, you are required to be familiar with the concept of multivariate regression and related statistical hypothesis testing.

**GRADING**

Your grade for this course will depend on your performance on graded homeworks, two in-term examinations, and a final examination. The final exam is comprehensive.
The weights for items to be used in the grading process are:

Midterm Exam 1 - 25%
Midterm Exam 2 - 25%
Graded Homeworks - 20%
Final Exam - 30%
TOTAL - 100%

Undergraduate grades are: A (outstanding achievement, 4 points); B (praiseworthy performance, 3 points); C (satisfactory performance, 2 points); D (minimally passing; 1 point); F (failing, 0 points). All grades from A to F are used to distinguish among levels of academic accomplishment. Plus and minus grades (A- through D-) are also used. In keeping with the SDSU Finance Department guidelines for upper division undergraduate courses, it is expected that the average course grade will be approximately 2.6 (ranging between 2.2 and 2.9, depending on the overall class performance). Students above or below the average class performance will earn course grades that reflect their relative performance.

EXAMINATION POLICY

EVERYONE will take the exam on the given date. There are no make-ups for the midterm exams. If you miss any of the midterm exams, no matter what the excuse is, the weight of that midterm will be shifted to the final exam. For example, if you miss either midterm, then the weight of the midterm you do not miss will be 25% of your grade and the weight of the final will be 55%. If you miss both midterms, then the final exam will constitute 80% of your grade. Of course, if you do not take the final, you will get zero points from the final exam. There is no weight shift for the final exam. The final will be a cumulative exam.

Strict rules of conduct will be observed for each examination. You will be expected to arrive on time, conduct yourself professionally during the examination, and leave quietly.

EXAMINATION DATES AND HOMEWORKS

The exams will take place during the normal class hours (these dates may change depending on the pace of our class!).

Midterm exam one: Wednesday, September 16
Midterm exam two: Wednesday, October 28
Final Exam: TBA

You will have two to three graded homeworks. These homeworks will be close in degree of difficulty to the exams and are designed to give you practice for the exams. The graded homework will be given out prior to each exam. You will also be assigned end of chapter
problems to work. These will not be graded. The answers to the chapter problems will be provided on Blackboard.

You will also have some graded homeworks that will be computer assignments, most likely relating to obtaining security information from various sources (the Web, library databases) and analyzing the data (Excel) using techniques that we learn in class.

**ACADEMIC INTEGRITY**

No form of academic dishonesty will be tolerated. The easiest way to fail the course is to cheat.

**CLASS PARTICIPATION**

You are expected to be familiar with the text material and any other additional class handouts and to contribute to class discussions.

You will also be required to keep abreast of current events that relate to finance. I strongly suggest that you read the Wall Street Journal everyday and be prepared to discuss relevant articles.

**STUDENTS WITH DISABILITIES**

If you are a student with a disability and believe you will need accommodations for this class, it is your responsibility to contact Student Disability Services at (619) 594-6473. To avoid any delay in the receipt of your accommodations, you should contact Student Disability Services as soon as possible. Please note that accommodations are not retroactive, and that I cannot provide accommodations based upon disability until I have received an accommodation letter from Student Disability Services. Your cooperation is appreciated.

**POLICY RULES**

I need not remind you of every facet of classroom decorum. I will mention, however, that class attendance is very important and if you plan to miss more than 3 classes you should not take this course. Also, I expect the class to be self-disciplining. Class time is very important and should not be interrupted by late arrivals or early departures. If you must arrive late or leave early please do so quietly and quickly.

**BSBA GOALS**

BSBA students will graduate being: Effective Communicators, Critical Thinkers, Able to Analyze Ethical Problems, Global in their perspective, and Knowledgeable about the essentials of business. FIN 421 contributes to these goals through its student learning outcomes.

**Course Objectives**

To understand the empirical and theoretical implications of the financial environment and valuation techniques on optimal portfolio management.
**Learning Outcomes**

By the end of the course, successful students should be able to:

1. Analyze and evaluate financial markets, how securities are traded, mutual funds, investment companies, and investor behavior.

2. Construct optimal portfolios and illustrate the theory and empirical applications of asset-pricing models.

3. Explain macro and industry analysis, equity valuation, financial statement analysis and technical analysis.

4. Analyze bond prices and yields and fixed-income portfolios.

5. Explain what options and futures are and their use as hedging instruments.

6. Characterize the implications of the market efficiency evidence on active portfolio management.

**COURSE OUTLINE**

We will be covering a substantial amount of material in a relatively short period of time. The course outline should be viewed as the general framework within which we will work. Consequently, the following schedule will be adjusted as necessary.

The basics, chapters 1-4, 22  
- Financial markets, how securities are traded, mutual funds, investment companies, and investors.  

Portfolio Theory, chapters 5-7  
- Risk and return, diversification, asset-pricing models.

Security Analysis, chapters 12-14; 9  
- Macro and industry analysis, equity valuation, financial statement analysis, technical analysis.

Are Markets Predictable? Chapters 18, 8, 9  
- Performance evaluation, active portfolio management, the efficient market hypothesis and behavioral finance.

Fixed-Income Securities, chapters 10-11  
- Bond prices and yields, managing fixed-income portfolios

Derivative Assets: options and Futures, chapters 15-17  
- What are options and futures, option valuation, hedging

Further evidence on the most recent trading strategies  
- (WEEK 13)
First assignment: stock picking.

Have you heard of the Wall St. Journal’s dart board game?

Assignment: pick one portfolio of stocks using any method (e.g., stories in the newspaper, hot stock tips from your Mom, throwing darts at the stock pages from the newspaper, etc.). Your portfolio will be composed of five stocks. Assume that you have one million dollars to invest, and that you equally weight your investment across the five stocks in your portfolio.

The assignment will be due Wednesday, September 9. Assume that you buy the stocks using the closing prices from Tuesday, September 8. On a sheet of paper, write your name, and student ID on the top. Then write the company name, ticker symbol, stock price, and number of shares purchased (number of shares for each stock equals $200,000.00 divided by the price of the stock) as of Wednesday close.

You will be responsible for tracking the values of your portfolio. You will periodically be asked to turn in the current performance of your portfolio. No rebalancing is allowed.

Turn in your intermediate portfolio results in class on Wednesday, September 30 using Tuesday, September 29 closing prices.

Turn in your final portfolio results in class on Wednesday, November 4 using Tuesday, November 3 closing prices. The best and worse performing portfolios will be presented and discussed during our last day of class.

Also, the class as a group will pick a dartboard portfolio that will represent one of the possible benchmarks for your portfolio performance.

Possible sources of stock prices, ticker symbols and places to maintain your portfolio:

1. Click here (http://finance.yahoo.com/)
2. The newspaper (the old fashioned way… the WSJ has symbols) and a spreadsheet and many others…

Critical class dates:

Sep.  9 : Turn in your stock portfolio choices, and  
Sep.  9 : HMK1 due (The Hmk will be available on Blackboard on Sept.2)  
Sep. 16 : Midterm 1  
Sep. 30 : Turn in the return of your portfolio.  
Oct. 21 : HMK2 due (both theoretical and empirical parts)  
Oct. 28 : Midterm 2  
Nov.  4 : Turn in the return of your portfolio
Dec. 2: *HMK3 due*
TBA: *Final Exam*