

University of Houston - C.T. Bauer College of Business

FINA4323 -17105

Investments and Mutual Fund Managements

Course Syllabus - Fall 2014

Instructor: Professor A. Gaby Berhe Nardari

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Office Hours: Tuesdays, 11:30AM-12:30PM and by appointments

Course Website: Blackboard Learn: <http://www.uh.edu/webct/>

Time: Tuesdays and Thursdays, 1:00PM - 2:30 PM

Location: Room 365A MH

Course Description and Objectives

The primary goal of this course is to introduce students to security analysis, portfolio selection and portfolio performance evaluation techniques as well as to discuss the environment in which these processes take place. The first half (approximately) of the course will deal primarily with various issues relating to valuing equity securities. Topics to be covered include fundamental vs. technical analysis, growth vs. value characteristics of common stocks and top down vs. bottom up valuation approaches. Students will be charged with analyzing stocks in a systematic manner and forming justifiable opinions about those stocks much like a professional in the “real world” might do. The second half (again, approximately) of the course will focus on conceptual and practical issues related to constructing and evaluating the performance of managed portfolios. Throughout the course, I will integrate discussion of theory with ample empirical evidence and numerous applications.

Prerequisites

The prerequisites for this course are the following:

- Junior Standing
- **ECON 2304:** Microeconomic Principles
- **FINA 3332:** Principles of Financial Management
- **STAT 3331**(formerly DISC3331): Statistical Analysis for Business Applications I
- You will also need a working knowledge of Microsoft Excel. Familiarity with spreadsheets is assumed and will be crucial to understand concepts and applications.

The instructor is not authorized to waive prerequisites.

Textbook and Course Material

- **Lecture Notes:** PowerPoint files will be posted on Black Board Learn.
- **Required Textbook** (available at the bookstore): *Investments*
Authors: Zvi Bodie, Alex Kane, and Alan J. Marcus (BKM)
Publisher: McGraw-Hill; **10th edition 2013 ISBN:0077861671 / 9780077861674**
It is fine if you have the 9th edition 2010 ISBN 978-007-353-070-3.
- **Suggested/Supplemental Material:**
The textbook website contains useful quizzes for each chapter: you can practice with them and verify your answers online.
- **Additional readings** (mostly short articles from the Wall Street Journal and other specialized publications, related to the course) will be assigned and posted on the course website as the course progresses. Students are strongly suggested to read the Wall Street Journal regularly (but not during class!).
- **Practice Problems** For each chapter covered in the course, we will have a workshop in class for problems from the textbook or web based aimed to enhancing your understanding of key concepts.
- **Class Format and Preparation:** In class I will make use of Power Point slides that will be available on the course website. You should read the assigned readings (see Class Schedule) and download the slides from the Web prior to each class. As a result of your preparation, you are expected to have questions and seek answers to these questions in class. Preparation is important in creating a classroom environment of active discussion and interchange. Class sessions will be geared toward clarifying and expanding upon the concepts presented in the textbook and in the lecture notes. Several examples discussed in class will rely on spreadsheets and/or Web based data sources. I, thus, expect you to regularly bring your laptop to class.
- **Quizzes:** To enhance your understanding of key concepts, you will have four in-class quizzes (15-20 minutes, closed books and closed notes, a calculator and a double-sided 8.15x11 sheet allowed).
- **Homework Assignments:** There will be four homework assignments to be solved in-groups. All homework assignments are to be returned on the due date *before* class. A solution will be available on the course website starting on the due date. You will be randomly assigned to a group. You are required to maintain the same group membership throughout the entire course. Specific instructions about deliverables will be given for each assignment.
- **Exams:** there will be one comprehensive exam and it will be open books and open notes. Portions of the exam will necessitate the use of an Excel spreadsheet.
- **Class Participation:** *Positive* contribution to class discussion is encouraged and rewarded. *Negative* contribution (e.g. repeated tardiness, web surfing, distracting and/or unprofessional behavior) will, also, score appropriately.

Term Project: The project consists conceptually of two portions. Time-wise, the first portion will require considerably more time. *The project is a group endeavor.* Suggestions on the format and outline of the paper, information on data sources for your research, and tips on conducting your research efficiently will **be given to you by Thursday September 11, 2014.**

In the first portion you will play the role of a security analyst. By following a publicly traded firm of your choice, you will provide information on its fundamentals in the form of a double-spaced type written report. This involves (1) analysis of macroeconomic factors that are relevant to the firm and its industry, (2) assessment of the industry in terms of such factors as market potential and competitive structure, (3) investigation of firm-specific factors such as market share, growth potential and profitability, and (4) application of a quantitative model for determining the stock value and making a “buy/sell/hold” recommendation for the firm’s common stock.

You and your group are expected to select a company by **Thursday September 16, 2014** and informed me by email (one email per group, please) about it. Make sure that the company you choose has data available (Balance sheet, Income Statement and Market data for the last 5 years. We will devote ample time to the concept of industry and security analysis so that you have sound theoretical background to conduct your study.

In the second portion, you will be using your stock analysis as input to the construction of a portfolio of a few stocks. Security analyses for additional stocks will be provided to you (i.e. you will be taking them as given). The later part of the course will give you the framework for integrating your security analysis with the portfolio formation.

Grading of the project will be based on the following criteria: (1) the clarity and effectiveness of the written report, (2) the methodical presentation of macroeconomic, industry-specific and firm-specific factors as well as the extensiveness and relevance of research information gathered regarding the firm and its industry, (3) the pertinence of the quantitative stock valuation model you applied, and (4) the reasonableness of the final portfolio recommendations.

The Term Project is due on Wednesday, December 3, 2014 by noon CST.
Group presentation on Thursday, December 4, 2014

- **Grading Policy:**

Exam1	20%
Term Project	20%
Quizzes	16% (4% each)
Homework's	31% (First 2: 7% each, Last 2: 8.5% each)
Class Participation	8%
Peer evaluation	5%

Scores for each test assignments will be posted on the Course web page. Final scores/grades for the course **will be curved** at the instructors' discretions

Range	Grade
93 <= X	A
90 <= X < 93	A-
87 < X < 90	B+
83 <= X < 87	B
80 <= X < 83	B-
77 <= X < 80	C+
73 <= X < 77	C
70 <= X < 73	C-
60 <= X < 70	D
X < 60	F

Re-grading and Make-up Exam

There is no re-grading of homework assignments, only in exceptional circumstances. Requests for re-grading of exams will be accepted but must be made within two days after the exams are returned. The students must be aware that the entire exam will be re-graded, not only the specified questions (i.e. the grade might actually be lower after re-grading). If a student is unable to attend an exam, the instructor must be notified as soon as possible. In exceptional circumstances, the instructor might allow for a make-up exam to be discussed in a case-by-case basis and with sufficient evidence of the circumstances. The decision will be made at the discretion of the instructor.

Class Policies

- Attendance and participation are essential for this course. Attendance will be checked regularly at the beginning of the class. Students leaving early must notify the instructor before class.
- The students are very welcome to stop by during office hours, to clarify the material, ask for further references and examples, or simply discuss course topics of interest. The students should take advantage of this resource throughout the semester, not only before exams!!
- The instructor is not supposed to answer individual questions by email, only in exceptional circumstances. Individual questions must be addressed in class or during office hours.
- The students are responsible for checking the course website regularly for updated materials and announcements.
- **Cell phones and pagers must be turned off before coming to class.**
- All students MUST behave in a professional manner during class, and be respectful to all classmates and to the Professor.
- It is expected that you provide your full attention during class. This means that you should avoid unnecessary discussions with fellow students; using your computer to surf the internet, play games, check email, or send/receive text messages; read newspapers or magazines; or other activities not directly related to the classroom instruction. Students that do not follow these rules in a regular basis will be required to present extra work, in the form of a short (5-10 minutes) in-class presentation of a Wall Street Journal article assigned by the instructor.
- As students enrolled in courses offered by the Bauer College, you are expected to adhere to the ethical principles described in the Bauer Code of Ethics and Professional Conduct (Bauer Code), in addition to those required by the UH Student Handbook. You may review the Bauer Code by clicking on the following link - <http://www.bauer.uh.edu/BCBE/BauerCode.htm>. You may obtain a copy of the UH Student Handbook from the Dean of Students Office located in room 252 of the University Center, or by visiting the publications webpage on the Dean of Student's website at <http://www.uh.edu/dos/pub.html>.
- The University rules of academic honesty will be strictly enforced. If a student is found to commit any act of academic dishonesty during exams, he/she will automatically receive an F for the class and he/she will be reported to the Chair of the Department of Finance.
- Students with disabilities: Please contact the instructor and the Center for Students with Disabilities (<http://www.uh.edu/csd>) for assistance: (713)743- 5400.