The Cameron School of Business at University of St. Thomas

1. Course Information

Course Title: Investments
Course Number: FINA 5319
Course Section: N
Credits: 3 hours
Semester: Spring 2015
Prerequisites: MBA 5X03 and FINA 5318
Room: Strake 207
Time: MW: 5:30 p.m. – 6:45 p.m.

2. Instructor Information

NAME: Dr. Daniel Perez Liston
OFFICE LOCATION: Welder Hall, rm. # 204
OFFICE PHONE: 713-942-3499
OFFICE HOURS: M.: 3:00 p.m. – 5:30 p.m.
T.: 3:00 p.m. – 7:00 p.m.
W.: 3:00 p.m. – 5:30 p.m.
FAX NUMBER: 713-525-2110
E-MAIL: drperez@stthom.edu

3. Course Catalog Description

This course provides a comprehensive survey of modern developments in the theory and practice of investment management. It focuses on the impact of recent contributions to the theory of valuation of securities on the formulation of efficient investment strategies. The course begins by defining some key concepts and examining the structural characteristics of the investment environment in which investors operate. The course then moves on to lay down the analytical groundwork through reviewing portfolio and capital asset pricing models. The remainder of the course essentially represents an application of
these models to the valuation of different securities—stocks, bonds, options, and futures. In the process, the important concepts of stock beta, bond duration, and option pricing formula are introduced and their relevance to investment management discussed. Regardless of the extent of your participation in class discussion, you must solve the end-of-chapter problems to deepen your knowledge of the concepts covered in this class and to test how well you have understood the material presented in the chapter. Learning this material requires practice. Solving the problems is an essential step in the learning process.

4. MSF Learning Goals

The Master of Science in Finance has six goals.

1. Core of Finance Knowledge
   MSF graduates will be knowledgeable in the critical areas in the field of Finance. Graduates will:
   - demonstrate competency in the key fields of Corporate Finance, Investments, Banking and Financial Institutions, Risk Management, and International Finance when they apply the knowledge in the required courses to solve Finance problems.

2. Analytical and Critical Thinking Skills
   MSF graduates will be analytical and critical thinkers. Graduates will:
   - demonstrate skills in analyzing financial reports
   - identify and evaluate complex financial problems by integrating the skills learned in the core Finance area.

3. Value System
   MSF graduates will anchor financial aspects of business activities in ethics and human values. Graduates will be able to:
   - identify and apply principles of ethical leadership and accountability as applicable to the financial aspects of business decisions
   - assess workplace behaviors and financial aspects of business decisions in terms of human values, ethical norms, and societal impact.

4. Global Awareness
   MSF graduates will be aware of global influences on financial decision-making. Graduates will be able to:
   - demonstrate a knowledge of global financial and foreign exchange markets.
   - identify the impact of global financial changes on multinational enterprises.

5. Teamwork & Leadership
   MSF graduates will be able to work effectively on team projects with individuals from diverse groups. Graduates will be able to:
demonstrate appropriate group techniques to participate in a team task
compile diverse contributions to produce a comprehensive outcome

6. Communication Skills
MSF graduates will be effective communicators. Graduates will be able to:
prepare written reports on financial issues.
deliver effective presentations on financial issues.

5. Course Learning Goals  (and relationship to program goals and objectives)

Upon successful completion of this course, you will be able to:

- Understand the modern theories of security valuation, and use this knowledge to make optimal financial decisions for business firms (MSF Goal #2).
- Recognize the strategic importance of modern risk management techniques in an increasingly risky global environment, and formulate appropriate hedging policies for business firms (MSF Goal #3).
- Communicate effectively by preparing financial projects and reports that can be used to aid financial decision makers (MSF Goal #5)

6. Texts, Readings, Materials

Required readings, financial calculator, Simulator Package


A financial calculator with cash flow functions (NPV, IRR) is required. If you do not have a financial calculator, I recommend the Texas Instruments TI 83. I will be using the calculator for classroom demonstrations. If you use a different calculator make sure you have the manual, so that you may learn how to use it on your own or you can “google” instructions on how to use it.

Students are required to purchase a portfolio simulator software. We will be using StockTrack, a portfolio software simulator. The cost is roughly $35. Here is the link to the software: http://www.stocktrak.com


Bloomberg Terminal will also be used; it’s on the bottom floor of the library.
Supplementary readings

The Wall Street Journal or/and Business Week or/and Fortune Magazine
I would like to encourage you to read business press outside the class. It will help you to relate topics covered in class to the real business world and enhance your class performance. Handouts will be provided in class and assigned reading will be posted on Blackboard.

7. Instructional methods

Class time will be devoted to lecture, discussion, and analysis of assigned cases and problems. Finance is a subject highly problem-oriented. Therefore, problems will constitute the largest number of points for each exam. Assigned problems will not be collected, but will be discussed in class. Active participation in class is encouraged and required.

8. Technology

I will use blackboard course management system to post online materials. I will be more than happy to discuss any questions you might have either in class or outside class.

9. Course Policies

1. Reading assignments and homework assignments:
   You are responsible for all of the material discussed in class, assigned in the readings, and problems assigned for homework. My purpose here is to see that you have some simple hands-on experience at financial management. In addition, you should also study the self-test problems after each chapter. The solutions to those problems are in the book.

2. Make up exams
   Make up exams will not be permitted unless I am notified of your absence before the exam date. Make up exams from excused absences will be scheduled at a time mutually agreeable to the instructor and the student.

3. You should prepare for ALL regularly scheduled classes prior to class meetings. Also, you are expected to arrive on time and stay in class until the class period ends. If you know in advance that you will need to leave early, please notify me before the class period begins.

4. Comments and questions are encouraged to share with the whole class. Private discussion or chatting with your peers are discouraged and will be viewed as destructive for the learning environment. Please respect the class by not doing so.

5. Participation performance is determined by your contribution to the learning process in class. It includes, but not limited to, comments, personal insights, constructive
questions, work experience, and answers to assignments and cases. Attendance is expected and required. If you missed three or more classes, your work experience, and answers to assignments and cases. Attendance is expected and required. If you missed three or more classes, your course grade, at the instructor's discretion, will be reduced by one letter grade. If you missed more than six classes, at the instructor's discretion, the grade will automatically become an F.

6. The use of cell phone is discouraged during the class period unless you are “on call.”

7. If you have special concerns about this class and the class policy, I encourage you to talk to me after class or during my office hours. This should be done in the first week of class to allow us time to work out a plan to fully address your concerns. After this time period, I assume that you agree to, and will abide by, the class policy.

8. Any student with a documented disability requiring accommodations in this course is encouraged to contact me after class or during office hours. Additionally, students will need to contact the office of Counseling Services for Students with Special Needs (Disability Services) at 713-525-3162 or 6953.

Accommodations
The University of St. Thomas abides by the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, which stipulates that no student shall be denied the benefits of an education "solely by reason of a handicap." If you have a documented disability that may impact your performance in this class and for which you may require accommodations, you must be registered with and provide documentation of your disability to Counseling and Disability Services which is located on the second floor of Crooker Center. Contact Debby Jones or Rose Signorello at 713-525-6953 or 713-525-3162.

11. Student Grading Processes

Grades of this class will be determined by one midterm exam, one final exam, case analysis, portfolio simulator, and class participation. Midterm counts for 25% of the total course grade. Case analysis counts for 7.5%. Final exam counts for 25%. Stock simulator assignment 35%. Class participation will count for 7.5%. If you miss the midterm exam the final exam grade will replace it. Everyone must take the final exam.

Final grade: 93-100 A
90-92 A-
87-89 B+
84-86 B
80-83 B-
70-79 C
below 70 F
## 12. Course Tentative Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Assignments of topics, exams</th>
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<tbody>
<tr>
<td>1/12</td>
<td>Introduction and Syllabus</td>
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<td>1/14</td>
<td><strong>Part I: Introduction</strong></td>
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<td>Ch. 1: The Investment Environment</td>
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<td>The Investment Process, Markets are Competitive, and The Players</td>
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<td>1/19</td>
<td><strong>No Classes; Dr. Martin Luther King Day</strong></td>
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<td>1/21</td>
<td><strong>Ch. 3: How Securities are Traded</strong></td>
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<td>How firms issue securities (Private vs. Public companies), how securities are trades (Types of orders, trading mechanisms), new trading strategies</td>
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<td>1/26</td>
<td>Globalization of stocks markets, buying on margin, short sales, regulation of securities markets (self-regulation and SOX)</td>
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<td>1/28</td>
<td><strong>Ch. 4 Mutual Funds and Other Investment Companies</strong></td>
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<td>Investment companies, types of investment companies, mutual funds</td>
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<td>2/2</td>
<td>Costs of investing in mutual funds, exchange-traded funds, mutual fund investment performance, information on mutual funds</td>
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<td><strong>Part II: Portfolio Theory and Practice</strong></td>
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<td>Ch. 5 Risk Return and the Historical Record</td>
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<td>Determinants of the level of interest rates, comparing rates of return for different holding periods, bills and inflation</td>
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<td>Risk and risk premiums, time series analysis of past rates of return, the normal distribution, historic returns on risky portfolio</td>
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<td><strong>Ch. 6 Capital Allocation to Risky Assets</strong></td>
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<td>Risk and risk aversion, capital allocation across risky and risk-free portfolios, the risk free asset</td>
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<td>2/16</td>
<td>Portfolios of one risky asset and a risk free asset, risk tolerance and asset allocation</td>
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<td><strong>Ch. 7 Optimal Risky Portfolios</strong></td>
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<td>Diversification and portfolio risk, portfolios of two risky assets, asset allocation with stocks, bonds, and bills, the Markowitz portfolio optimization model</td>
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<td><strong>Part III: Equilibrium in Capital Markets</strong></td>
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<td>Ch. 9 The Capital Asset Pricing Model</td>
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<td>The CAPM, assumptions and extensions of the CAPM</td>
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<td><strong>Ch. 10 APT and Multifactor Models of Risk and Return</strong></td>
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<td>Fama-French Three Factor Model</td>
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<td><strong>Ch. 11 The Efficient Market Hypothesis</strong></td>
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<td>Random Walks and the Efficient Market Hypothesis; Implications of the EMH, are markets efficient?</td>
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<td><strong>Midterm Exam</strong></td>
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<td>3/11</td>
<td><strong>No Classes; Spring Break</strong></td>
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<td>3/16</td>
<td><strong>Ch. 12 Behavioral Finance and Technical Analysis</strong></td>
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**Faith-based Investing: An assortment of academic articles**

Perez Liston and Soydemir (2010), Perez Liston, Huerta, and Haq (2014)

**Harvard Business Case**

“Rudy Wong, Investment Advisor”

**Part IV: Fixed-Income Securities**

Ch. 16 Managing Bond Portfolios

Interest rate risk

**Part V: Security Analysis**

Ch. 17 Macroeconomic and Industry analysis

Business Cycles, Industry analysis (sector rotation)

**Part VI: Options, Futures, and Other Derivatives**

Ch. 20 Options Markets: Introduction

The option contract, values of options at expiration

**Part VII: Applied Portfolio Management**

Ch. 24 Portfolio Performance Evaluation

The conventional theory of performance evaluation

Global markets for equities, risk factors in international diversification

International investing: risk, return, and benefits from diversification

Group Presentations

Group Presentations

Final Exam Review

Final Exam; May 6 6-8:30PM

**Class Participation**

The following criteria will be used to judge and grade your participation performance:

1. **Content Mastery:**
   The student makes evident by classroom comments and/or responses to questions, an understanding of the facts, concepts, and theories presented in the assigned readings.

2. **Communication Skills:**
   The student informs other students in a clear and constructive manner what he/she knows. Communication skills include listening to others and understanding what they have said, responding appropriately, asking clear, constructive questions, building on the ideas of others, etc.

3. **Synthesis/Integration:**
   The student shows the connections between this material and other material. For example, the student could take several ideas from the readings or class discussions and combine them to produce a new perspective on an issue, or the student could take outside materials (personal experience, work experience, other classes etc.) and combine them to create insights.

4. **Creativity:**
The student shows further implications of the material by finding new ways of articulating or setting the materials, which produce significant insights, etc.

5. **Valuing:**
The student identifies values inherent to the material and offer rationales based on some value system.

**Mission Statement: Cameron School of Business**

The Cameron School of Business will serve students of diverse backgrounds, providing them the necessary professional skills for a changing global economy, and instilling in them a deep appreciation for ethical behavior as the hallmark of a successful and fulfilling business career. The Cameron School will provide its students a timely and comprehensive business curriculum, with opportunities for specialized study in major business fields. The faculty will provide quality teaching, as this is the core of our mission. As an extension of our teaching mission, the faculty will engage in scholarly activity and service to the University, the profession, and the community.

**Academic Honesty**

Ethical conduct is essential to a community of scholars and students searching for truth. Anything less than total commitment to honesty and honorable conduct undermines the efforts of the entire community. Academic integrity lies at the very heart of any institution of higher learning. In the Cameron School of Business, students and faculty are expected to commit to a code that exemplifies each individual's honor and integrity. Any conduct that violates this standard and betrays the respect of others is a matter of grave concern and, accordingly, is deemed unacceptable.