# Accelerated Investments
# Fin 205a Syllabus

**Fall 2012**
**Lee Hall**
**Mondays**
**6:30pm-9:30pm**

**Brandeis University**
**International Business School**

**Christopher B. Alt PhD CFA**

**Limin Gu, Seetha Anantha TAs**

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**Course Objectives and Methodology:**

"Accelerated Investments" FIN 205a focuses on security analysis and portfolio management. Within this context, students will review various approaches to asset allocation and the valuation of stocks, bonds, and derivative securities. Throughout this course, students are expected to master both the theoretical constructs of investments and portfolio management and their application to current industry practice.

**Learning Goals**

A. Understand the fundamental principles of investment in financial markets:

   1. How investors make investment decisions
   2. What determines asset valuations and returns

B. Gain a quantitative understanding of:

   1. Portfolio choice decisions
   2. Equity and bond pricing
   3. Rationale for/use of derivatives

C. Acquire a basic understanding of:

   1. Common investment vehicles
   2. Risk and return analysis

**Disabilities:**

If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see me immediately.

**Academic Integrity:**

You are expected to be familiar with and to follow the University's policies on academic integrity (see http://www.brandeis.edu/studentlife/sdc/ai/). Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University.

**Textbooks and Other Readings:**

*Required:*

Investments, Bodie, Kane & Marcus (BKM) (9th edition, McGraw Hill Irwin, 2011).

Case packet from Brandeis Bookstore.

*Recommended:*

Wall Street Journal

## Grades

| | |
|---|---|
| Class Participation | 20% |
| First Group Case | 10% |
| Second Group Case | 10% |
| Midterm | 30% |
| Final Exam | 30% |
| **Total** | **100%** |

## Class Participation and Homework Problems

Class participation will be based on the quality and quantity of a student's contribution to classroom discussions. All students are expected to come to class prepared (having already read and reviewed the material) and ready to discuss the assigned readings. *No wall flowers* allowed (i.e. everyone is expected to participate in class discussions). *Laptop use in the classroom is strongly discouraged* because it thwarts active participation in class discussions. Unprepared students should not expect to receive a passing grade.

Homework problems are assigned for each class and are helpful both in boosting students' mastery of investments and for exam preparation. Because of time constraints, homework problems will not be discussed in class but solutions will be distributed. In addition, the teaching assistants for this course will be available to review solutions to homework problems.

## Classroom Etiquette

Cell phones and similar technology MUST always be turned off when you are in the classroom because they are a distraction to class discussions.

Students should view this class as a business meeting with corresponding expectations for what is expected of the professor and the other students. Business casual (e.g. leave the hats off). Just first names (e.g. Chris; no need for Dr. Alt or Professor Alt).

## Cases

Cases are an integral part of this course. To prepare cases, you are expected to form groups (4-6 students) and work in a collaborative fashion. One or more students selected at random will be called upon ("cold calling") to present his (her) group's analysis and proposed solution to the assigned case. Each group will also submit a written case analysis at the end of that class.

These situations simulate what happens in the real world when your boss calls you in at the end of the week and asks you and your team:

a. to have a report on a topic for him (her) at the scheduled staff meeting next week, and, by the way,

b. "keep it short".

The cases must be typed and can be no longer than 5 pages plus exhibits.

**Course Calendar**

**Alt** **Fall 2012**

**Accelerated Investments FIN 205a**

| DATE | TOPICS | PREPARATIONS AND ASSIGNMENTS |
|---|---|---|
| Mo 9/3 | **No class – Labor Day** | |
| Mo 9/10 | **Introduction**<br>Ch. #1 The Investment Environment<br>Ch. #2 Asset Classes and Financial Instruments<br>Ch. #5 Learning about Risk and Return from the Historical Record<br>(skim pp. 134-154)<br>Review of Statistical Concepts | <br>Ch. #1; Probs. 1,11,14<br>Ch. #2; Probs 5,8,10,11,15<br>Ch. #5; Probs 3,6,11,14 |
| Mo 9/17 | No class – Rosh Hashanah | |
| Th 9/20 | **Portfolio Theory and Practice**<br>Ch. #7 Optimal Risky Portfolios (skim pp. 219-224)<br>Ch. #8 Index Models (skim pp. 263-274) | <br>Ch. #7; Probs. 4-8,11<br>Ch. #8; Probs 1-2,4-5 |
| Mo 9/24 | **Equilibrium in Capital Markets**<br>Ch. #9 The Capital Asset Pricing Model (skim pp.300-310)<br>Ch. #10 Arbitrage Pricing Theory and Multifactor Models of Risk and Return (skim pp. 330-336) | <br>Ch. #9; Probs 4,5,17<br>Ch. #10; Probs 1-2,5,6 |
| Mo 10/1 | No class - Sukkot | |

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| DATE | TOPICS | PREPARATIONS AND ASSIGNMENTS |
|---|---|---|
| Mo 10/8 | No class – Shemini Atzeret | |
| Tu 10/9 | **Equilibrium in Capital Markets** | |
| | Ch.#11 The Efficient Market Hypothesis | Ch. #11; Probs 1-4,15-17 |
| | Ch.#12 Behavioral Finance and Technical Analysis (skim pp. 384-395) | Ch. #12; Probs 1,9,14-15 |
| Mo 10/15 | **Fixed Income Securities** | |
| | Ch. #14 Bond Prices and Yields | Ch. #14; Probs 3-4,7,9,23-24 |
| | Ch. #16 Managing Bond Portfolios | Ch. #16; Probs 3-4,7-8,15-16 |
| Mo 10/22 | **Security Analysis** | |
| | Ch. #18 Equity Valuation Models | Ch. #18; Probs 1-2,6,9,11 |
| | Equity valuation case – group analysis and writeup | Mercury Athletic Footwear |
| TBD | **Midterm Review Class** | |
| Mo 10/29 | **Midterm** | |

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| DATE | TOPICS | PREPARATIONS AND ASSIGNMENTS |
|---|---|---|
| Mo 11/5 | **Options, Futures, and Other Derivatives** | |
| | Brief review of midterm exam results | |
| | Ch. #20 Options Markets: Introduction (skim pp. 694-699) | Ch. #20; Probs 1-6 |
| Mo 11/12 | **Futures Contracts** | |
| | Ch. #22 Futures Markets (skim pp. 776-779) | Ch. #22; Probs 4,8-9,15 |
| Mo 11/19 | **Mutual Funds** | |
| | Ch. #4 Mutual Funds and Other Investment Companies | Ch. #4; Probs 2,7,17-19 |
| Mo 11/26 | **Hedge Funds** | |
| | Ch. #26 Hedge Funds | Ch. #26; Probs 2-3, 5-6 |
| Mo 12/3 | **Applied Portfolio Management** | |
| | Ch. #24 Portfolio Performance Evaluation | Ch. #24; Probs 4,8-9,11 |
| | (Steve Gaudette, Principal Northfield Information Services Inc.) | |
| | Fund evaluation case – group analysis and writeup | Zeus Asset Management |

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| DATE | TOPICS | PREPARATIONS AND ASSIGNMENTS |
|---|---|---|
| Mo 12/10 | **Applied Portfolio Management**<br><br>Ch. #3 How Securities Are Traded | Ch. #3; Probs 6,10,14,15 |
| TBD | **Final Exam Review Class** | |
| TBD | **Final Exam** | |