

Syllabus
University of Southern Maine
School of Business
LEC 61295

FIN 327 Investment Management

Prerequisites:
FIN 320

Spring 2023

Instructor: Bert Smoluk, Ph.D., CFA

Office Hours: Tuesday 2:15-3:15pm
or by appointment.

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Course Description: This course is all about developing financial analytical skills. It covers the tools used to analyze investments, investment strategies, and securities markets. Emphasis is placed on the concepts of risk and return for individual securities and portfolios, asset pricing models, efficient markets hypothesis, investment companies (mutual funds), bonds, common stocks, portfolio performance, and time permitting, callable bonds, convertible bonds, and TIPS. Both theoretical and empirical research in the area of investments is covered. Real-world applications are stressed.

Required Material

Text: Jordan, Miller, Dolvin, Fundamentals of Investments, Valuation and Management, 9th edition loose leaf version is cheapest, McGraw Hill, 2021 ISBN-9781-260-77863-2, with Stocktrak Card.

You will need to register and open a Stocktrak.com account. To open a Stocktrak account you will need a class name (which the professor will supply) that will connect you to the rest of the class and the professor in Stocktrak. You can register at <https://www.stocktrak.com/members/register?session=FIN327S23>. The class name in Stocktrak needed to connect all FIN 327 students and the professor is FIN327S23.

Overview

- 1. You must come to class prepared by reading the assigned chapter; bring a calculator and be ready to solve problems.**
2. You are required to periodically check Brightspace for assignments and messages.

3. The material covered is designed to be challenging, yet reasonably accessible to the average student provided sufficient time is spent preparing for class.

Grading Allocation

Quizzes	60%	
Attendance*	15	
Project I and II /Stock-Trak	25	Must receive a satisfactory grade, to pass the course.

*If a curve is deemed necessary, it will be done at the end of the semester based on overall course grades and will be available to students who miss no more than two classes for sections that meet twice a week and no more than one class for sections that meet once per week. I usually drop the lowest quiz grade. If you miss a quiz, that grade will be dropped.

These grading mechanisms are designed to reward students who attend class and have taken every quiz. There are no makeup quizzes.

For my combined sections of FIN 327 this semester, the student with the winning Stock-Trak portfolio (on a risk-adjusted basis) will receive +15 points on their overall quiz average; the second place winner will receive +10 on their overall quiz average; the third place winner will receive +5 points on their overall quiz average, ***provided that he/she has reasonably followed their asset allocation outlined in their investment policy statement.*** Each student is **required** submit an Excel spreadsheet (provided by the professor) with their risk-adjusted returns at the end of the game. Failure to do so will result in disqualification from potential bonus points and a significant grade penalty for the course. **The last place portfolio (student) will be given an option to do a 5-10 minute presentation to the class concerning their investment strategy, portfolio performance, and insights gained on investment management to get +5 points on their overall quiz average.**

Late Papers & Make-exams:

There will be a penalty for any later papers. Each day that your paper is late, your grade will drop a letter. For example, if your paper is one day late and you earned an A- on the paper, your grade will be a B-. If it is two days late, your grade will be a C-, etc.

Internet-based Project and Paper

You will be required to build a portfolio of securities at the beginning of the semester from an initial endowment of \$1,000,000 using an Internet-based simulation program, *Stock-Trak* [see <http://www.stocktrak.com>.] Your goal is to maximize total return ***ON A RISK-ADJUSTED BASIS*** by the **cutoff date of Friday, April 14** – the end of the StockTrak game.

Approximately 3 weeks after the course begins, a 4-page paper will be due. This paper will be your own Investment Policy Statement as described in class and chapter 2 of the textbook. I will provide a handout at the appropriate time that describes the requirements of this paper.

On the last lecture class, you will submit a 4-5-page paper discussing how your actual portfolio is consistent with your investment objectives and constraints (as outlined in your Investment Policy Statement). It will analyze your investment performance based on the concepts

learned in class. I will provide a handout at the appropriate time that describes the requirements of this paper.

Note: failure to reasonably execute your asset allocation plan (for example, holding too much cash) outlined in your Investment Policy paper (first paper due) may will result in a substantial grade penalty and even failing the course. The penalty is a function of how far you deviated from your plan asset allocation.

Code of Conduct

Students are expected to behave in a professional manner consistent with a classroom setting designed for learning. If your behavior inside or outside the classroom in connection with this course is deemed inappropriate, disciplinary action will be taken immediately. Cell phones are to be turned off and put away during class. Anyone caught cheating on a quiz or project or plagiarizing will fail the course.

This course is structured to be consistent with the mission statement of School of Business:

We prepare and inspire current and future leaders, and stimulate economic growth by providing quality learning opportunities, valuable research and professional service, all in partnership with the business community.

COURSE INFO

This course uses Brightspace, which can be found at www.courses.maine.edu. You are responsible for visiting this website frequently throughout the semester for up-to-date information pertaining to the course.

AMERICANS WITH DISABILITIES ACT OF 1992

If you need course adaptations or accommodations because of a disability, please make an appointment with me as soon as possible. At any point in the semester, if you encounter difficulty with the course or feel you could be performing at a higher level, consult with me. Students experience difficulty in courses for a variety of reasons. For problems with writing skills and time management, make an appointment to see a student tutor at The Learning Center (TLC), 253 Luther Bonney (780-4228). Help is also available through the Counseling Center, 106 Payson Smith (780-4050) and the Office of Academic Support for Students with Disabilities, 237 Luther Bonney (780-4706). Please note that only students who are registered with the Office of Academic Support for Students with Disabilities are eligible for accommodation. If you need course adaptations or accommodations because of a disability, please make an appointment with me as soon as possible.

Repeat Policy

Any School of Business major or minor who has enrolled in an ABU, ACC, or BUS course more than twice must, before continuing in that course, complete and have approved by the Department Chair, a course condition form (available from the School of Business academic advisors). Failure to do so may result in course disqualification.

Tentative Course Outline

Introduction

- Chapter 1 A Brief History of Risk and Return. Emphasis on risk, total returns and their historical distributions.
- Chapter 2 The Investment Process. Emphasis on investment policy statements, evaluating margin accounts, and short selling.
- Chapter 3 Overview of Security Types. Emphasis on money market instruments only.
- Chapter 4 Mutual Funds. Emphasis on unit investment trust, closed end funds, open-end funds, NAV, loads, and other fund expenses.
- Chapter 17 Alternative Investments. Compare and contrast to other investments: hedge funds, private equity funds, real estate, commodities.
- Chapter 5 The Stock Market. Emphasis on stock indices.
- Chapter 6 Common Stock Valuation. Emphasis on dividend growth models, estimates of growth and risk, various price ratios. Also, an emphasis on corporate governance and its relationship to leadership and stock returns/risk.
- Chapter 7 Stock Price Behavior and Market Efficiency. Emphasis on weak-form, semi-strong-form, strong form, and random walk hypotheses and anomalies.
- Chapter 8 Skip. While this chapter will be skipped for quizzing purposes, it could provide you with some interesting material for your last StockTrak report.
- Chapter 9 Interest Rates. Emphasis on treasury securities and the yield curve.
- Chapter 10 Bond Prices and Yields. YTM, duration, immunization.
- Chapter 11 Diversification and Risky Asset Allocation. Emphasis on expected return and risk of individual stocks and portfolios, covariance, correlation, and diversification.
- Chapter 12 Return, Risk, and the Security Market Line. Emphasis systematic and unsystematic risk, beta, and the security market line, CAPM.
- Chapter 13 Portfolio Evaluation and Risk Management
Jensen's alpha, Sharpe ratio, Treynor ratio, r-squared