FINC 602-W17 Investment Management

R. Brian Balyeat
Xavier University

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Syllabus
Xavier University
Williams College of Business
Dr. R. Brian Balyeat, CFA
Finance 602-W17
Investment Management
Spring 2017

Course Description and Objectives:

Finance 602 has three main objectives:
1. To provide an overview of essential investment concepts
2. To convey a working knowledge of financial instruments and markets
3. To examine how many financial instruments should be priced in well functioning markets

By the end of the class, students should be able to understand how most of our financial instruments are priced and how the interactions of these instruments affect the average investor. The course focuses on the evaluation, selection, and management of securities and portfolios and includes a study of theory using analytical approaches.

Prerequisites:

Students enrolled in FINC 602 must have completed FINC 500 or FINC 550.

Required Material:

The required text is


A copy of the seventh, eighth, or ninth edition will also work. A copy of the electronic edition should also work.

In addition, a copy of the class notes is available on the class Canvas site. You are required and expected to have downloaded and reviewed the appropriate notes before each class.

Scholastic Dishonesty:

It is the responsibility of students and instructors to help maintain scholastic integrity at the university by refusing to participate in or tolerate any scholastic dishonesty. Xavier is known nationally as a university deep in tradition and integrity. Hence, I will operate under the assumption that scholastic dishonesty does not exist at Xavier. Therefore, any type of suspected misconduct will be investigated fully and violations will not be tolerated, as they will be prosecuted to the fullest extent possible. The first offense will result in a non-droppable zero on the assignment while a second offense will result in an "F" in the course and additional department/college/university action. Thus, students are expected to uphold the Academic Honor Code published in Xavier University Catalog.

"All work submitted for academic evaluation must be the student's own. The direct and unattributed use of another's efforts is prohibited as is the use of any work untruthfully submitted as one's own. Penalties for violations of this policy may include one or more of the following: A "zero" for that assignment or test, an "F" in the course, and expulsion from the University." (Xavier University 2002-2004 Catalog, p. 66)

Mission of the Williams College of Business:
We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition.
**Teaching Style:**

The instructional style will primarily consist of lectures derived from my notes based upon the text. The lectures are designed to be interactive. Classroom participation is expected and is therefore highly encouraged. Please feel free to ask questions, make observations, and share your relevant real world experiences. It is my intention to make the classroom environment somewhat informal and relaxed.

In addition, I expect you to be able to understand the intuition behind the problems and how the problems are worked. If you are unsure about a topic PLEASE ASK QUESTIONS. If no one is asking questions, I can only assume that everyone understands the material.

**Attendance and Classroom Participation:**

I expect you to attend class regularly, in accordance with university policy. You are responsible for any material covered, amendments to the syllabus, or announcements made in class, whether you are present or not. If you miss an exam without a valid, documented excuse, you will receive a grade of zero. The exam dates given elsewhere in this syllabus will **not** be changed (assuming that the University is not closed due to inclement weather). If you do not take an exam on the scheduled date, then you are responsible for providing satisfactory evidence to the instructor to substantiate the reason for absence within 48 hours of the missed exam. There are eight University approved reasons that absences will be considered excused. These are mandatory participation in a University sponsored event, death or major illness in the student’s immediate family, illness of a dependent family member, mandatory participation in legal proceedings, religious holy days, severe or contagious illness (doctor documentation required), military duties, or mandatory admittance interview for graduate or professional school that cannot be rescheduled. Please be sure that you have ample satisfactory written evidence demonstrating the reason for your absence. (I apologize in advance if obtaining this evidence because of a family death or major illness is emotionally or physically difficult, but written evidence will still be required). Please try to arrange your job interviews, and any necessary travel, on dates other than those on which we have exams.

Additionally, due to circumstances beyond the control of the student, occasionally job requirements will prevent a student from attending class on an examination date. When this is the case, please let me know as soon as you are aware of the conflict. Then, we can work together to arrange a time for you to come to main campus (during normal business hours) to make-up the exam. Due to the fact that exams are generally returned to the students during the next scheduled class, all make-up exams should be scheduled no later than six days after the originally scheduled exam. When necessary, it is possible to schedule a make-up exam to be taken before the exam date given in the syllabus.

Please keep classroom disturbances to a minimum. I will arrive on time for class and I expect you to do the same. I reserve the right to adjust your grade as I see fit for repeated tardiness or other classroom disturbances. In addition, please turn off all cell phones and pagers before you come into class. My rule is simple, if your phone rings during class time and you don’t want to lose points on your final grade, then I get to answer it. Obviously, we can make exceptions for emergency situations; just apprise me of the situation before class begins.

**Canvas Site for the Class:**

Each set of lecture notes is available from the class Canvas site. As previously mentioned, you are expected to have downloaded and printed a copy from the Canvas site. You are also expected to have reviewed the lecture notes before each class period. In addition to this document, the Canvas site contains your grades to date, sample exam questions, and other relevant course material.

**CFA Designation:**

Anyone interested in a career in investments or related fields that would like to know more about the CFA designation, please feel free to make an appointment to come by my office to discuss the CFA exam process.
Class Announcements:

Please note that in addition to any announcements made in class, you are responsible for checking the announcements section on the class Canvas site. However, announcements will seldom be posted in both places. The announcement section on Canvas is intended to convey important or clarifying information to the class between class sessions. If you are having trouble with a particular homework problem or you think that there might be an error in the assignment, please check the announcement section. You are responsible for any announcements posted before 6 PM the day before an assignment is due.

Students with Special Needs:

It is my goal that this class be an accessible and welcoming experience for all students. If you are a student with a disability who may have trouble participating or effectively demonstrating learning in this course, contact me to arrange an appointment to share your Accommodation Letters from Disability Services and to discuss your needs. Disability related information is confidential. If you have not contacted Disability Services (located in the Learning Assistance Center) to arrange accommodations, I encourage you to do so by contacting Cassandra Jones, by phone at 513-745-3280, in person on the Fifth Floor of the Conaton Learning Commons, Room 514, or via e-mail at jonesc20@xavier.edu as soon as possible as accommodations are not retroactive.

Office of Student Success:

The staff in the Office of Student Success is available to assist students to make the most of their Xavier experience. The office provides personal staff consultations, success coaching, referrals to on-campus Solution Centers, and guidance for students to effectively navigate their college experience. To learn more, please visit www.xavier.edu/student-success, visit the office in 514 Conaton Learning Commons, call 513 745-3036, or email student retention@xavier.edu.

Homework Assignments:

Due dates are presented in the Schedule of Classes below. Homework is to be done either individually or in groups of two or three. You do NOT need to hand in a hard copy of the assignment. You will notice in the next section on grading that the homework assignments are NOT part of your final grade. However, I expect that each member of the class will have worked through each assignment. The purpose of the homework assignments is to reinforce the topics covered in the lecture and to provide you with the opportunity to apply that knowledge. I will usually go over the homework on the class day following the lecture on the necessary material. Thus, I do not expect that you will be able to work through each of the problems on the first attempt. You will have ample opportunity during class to take any necessary notes on the problem sets. However, I will NOT hand out a solution manual for these problems as we will work each of them in class.

Each of the assignments can be downloaded from Canvas. Please let me know in a timely fashion if you have any difficulty downloading the homework. In addition, please note that many of these problems are quite difficult and may take a while to complete.

Exercises:

The schedule below presents the days that specific exercises will be worked on in class. Although nothing is to be turned in on these dates, you are expected to read each exercise before the class in which it will be performed. Failure to do the required work could result in a negative adjustment to your final grade. In some cases, the exercise will require you to make choices; in others, you will simply be required to familiarize yourself with information or a set of rules. The necessary information for each exercise will be posted on Canvas at least a week before it is due.
Optional Special Project:

The project is designed for you to have the opportunity to explore an investments topic that is of special interest. The project is optional. The topics should either extend material covered in class or examine a new area that is of special interest. Possible topics include, but are not limited to: detailed company/industry analysis, the VIX index, performance of portfolio trading strategies, reviewing an academic paper, a review of useful web tools and sights related to investments, discussion of risk of bonds versus stocks, etc. The project is to be done on an individual basis.

I will not allow two individuals to do the same topic. Thus, if two students desire the same topic, I will give preference to the one that handed the idea in first. Please feel free to come by and discuss your topic ideas before they are actually due.

The project will include both a written report and an oral presentation. The text of the written report is to be no more than 10 double spaced typed pages (11 pt font minimum, with at least 0.5 inch margins on each side). These pages are in addition to any tables, charts, graphs, pictures, etc. that are referred to in the textual part of the written report. In addition, the report should contain a one-page bullet point executive summary.

The oral presentation is to be a 15 to 20 minute PowerPoint presentation. Please provide me with a copy (black and white preferred) of your slides in advance. We will schedule the presentations during the final week during class time.

Your grade will be based upon the following criteria:

- Difficulty and Suitability of the Topic: 20%
- Professionalism of the Written Report: 20%
- Content of the Written Report: 20%
- Professionalism of the Oral Report: 20%
- Content of the Oral Report: 20%

Please note that these projects are not automatic A’s. Their intent is to teach you and me something that is not normally covered in the class. Please use your special interest and your unique backgrounds to choose interesting and informative topic.

The calendar for the report is as follows:

- Feb. 23: Topic Choice Due
- Mar. 24: Written Report Due
- Mar. 24: Topic Presentations

I will post the grades on the projects on the Canvas by Mar. 26th.

Grading:

There will be two closed book examinations for the course as outlined below. The one will be during class time and the final exam is on the last day of class. The two exams are non-cumulative. Please circle all final answers on tests and homeworks and carry out all calculations to at least 4 digits to the right of the decimal. You must use the TI BA II Plus financial calculator for the exams. This calculator is required for all finance MBA classes. You may bring one 8.5x11 sheet of paper to each exam with anything hand written on one (and only one) side you wish. However, you are not allowed to cut and paste, Xerox, or use a printer.

When a test or graded assignment is returned to you, you have one week from the date of its returned to bring to my attention any request for grade changes. All regrading requests must be fully explained in writing and must be signed. In addition, the original paper must accompany the request for a regrade. After the one-week deadline has passed, no further grade changes will be made for that particular test or assignment. The purpose of this deadline is not to discourage grade changes, but to assure that any necessary changes are promptly made and to allow you as the student to have an accurate and current indication of your performance in the class. Please note that in the case of excessive requests for regrades, the instructor reserves the privilege of regrading the entire paper.
The grading will be based upon the traditional 10-point scale with the bottom three percent of the grading range receiving a ‘minus’ and the top three percent receiving a ‘plus’ (where applicable – by University policy a ‘plus’ designation is not available on grades of ‘A’ and a ‘minus’ is not available for ‘C’ grades). Before assigning any letter grades, your grade will be rounded to the nearest integer. Thus, 92.50 is the lowest grade that will receive an unqualified ‘A’, 89.50 is the lowest average that will receive an ‘A-’, 86.50 is the lowest ‘B+’, 82.50 is the lowest ‘B’, etc. Grades from 70 to 76 will get a ‘C’. You must get a grade of 70 or above to pass.

**Grade Weights:**

Your final grade will be determined by the following weights:

<table>
<thead>
<tr>
<th></th>
<th>With Project</th>
<th>Without Project</th>
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</thead>
<tbody>
<tr>
<td>Midterm Exam</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Special Optional Project</td>
<td>20%</td>
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</tr>
<tr>
<td>Final Exam</td>
<td>40%</td>
<td>50%</td>
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*(please see next page for Schedule of Classes)*
Schedule of Classes FINC 602:

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Chapter</th>
<th>Topic</th>
<th>Assignment Due</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Jan. 12</td>
<td>Chapter 0</td>
<td>Class Policies</td>
<td>Read Ch 1</td>
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<td></td>
<td></td>
<td>Chapter 1</td>
<td>Investment Setting</td>
<td>Exer #1</td>
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<tr>
<td></td>
<td></td>
<td>Chapter 2</td>
<td>Asset Allocation Decision</td>
<td>Read Ch 2</td>
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<tr>
<td></td>
<td></td>
<td>Chapter 2</td>
<td>Asset Allocation Decision</td>
<td>Exer #2</td>
</tr>
<tr>
<td>2</td>
<td>Jan. 19</td>
<td>Chapter 1</td>
<td>Review HW#1</td>
<td>HW# 1</td>
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<tr>
<td></td>
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<td>Chapter 3</td>
<td>Investment Setting</td>
<td>Read Ch 3</td>
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<tr>
<td></td>
<td></td>
<td>Chapter 4</td>
<td>Security Markets</td>
<td>Read Ch 4</td>
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<tr>
<td></td>
<td></td>
<td>Chapter 5</td>
<td>Security Market Indicator Series</td>
<td>Read Ch 5</td>
</tr>
<tr>
<td>3</td>
<td>Jan. 26</td>
<td>Chapters 2&amp;3</td>
<td>Review HW#2</td>
<td>HW# 2</td>
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<tr>
<td></td>
<td></td>
<td>Chapter 5</td>
<td>Security Market Indicator Series</td>
<td>Read Ch 5</td>
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<td>Chapter 6</td>
<td>Efficient Capital Markets</td>
<td>Read Ch 6</td>
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<td>Chapter 7</td>
<td>Portfolio Management</td>
<td>Read Ch 7</td>
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<tr>
<td>4</td>
<td>Feb. 2</td>
<td>Chapters 4&amp;5</td>
<td>Review HW#3</td>
<td>HW# 3, Exer #3</td>
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<td></td>
<td></td>
<td>Chapter 7</td>
<td>Review HW#4</td>
<td>HW#4</td>
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<td>Chapters 1-7</td>
<td>Review for Exam 1</td>
<td>Come with Questions</td>
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<td>5</td>
<td>Feb. 9</td>
<td><strong>Midterm Exam</strong></td>
<td>Chapters 1 – 7</td>
<td>Exer #4&amp;5</td>
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<td>6</td>
<td>Feb. 16</td>
<td>Chapter 8</td>
<td>Asset Pricing Models</td>
<td>Read Ch 8, Exer #6</td>
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<td>Chapter 9</td>
<td>Multifactor Models</td>
<td>Read Ch 9, Exer #7</td>
</tr>
<tr>
<td>7</td>
<td>Feb. 23</td>
<td>Chapters 8&amp;9</td>
<td>Review HW#5</td>
<td>HW# 5</td>
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<tr>
<td></td>
<td></td>
<td>Chapter 11</td>
<td>Security Evaluation</td>
<td>Read Ch 11</td>
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<td></td>
<td>Chapter 17</td>
<td>Bond Fundamentals</td>
<td>Read Ch 17</td>
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<tr>
<td>Break</td>
<td>Mar. 2</td>
<td>SPRING BREAK – NO CLASS</td>
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<tr>
<td>Break</td>
<td>Mar. 9</td>
<td>SPRING BREAK – NO CLASS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Mar. 16</td>
<td>Chapter 11</td>
<td>Review HW#6</td>
<td>HW# 6</td>
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<tr>
<td></td>
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<td>Chapter 18</td>
<td>Bond Analysis and Valuation</td>
<td>Read Ch 18</td>
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<td></td>
<td></td>
<td>Chapter 20</td>
<td>Derivatives</td>
<td>Read Ch 20</td>
</tr>
<tr>
<td>9</td>
<td>Mar. 24</td>
<td>Chapter 18</td>
<td>Review HW#7</td>
<td>HW# 7, Exer #8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chapter 20</td>
<td>Review HW#8</td>
<td>HW# 8, Exer #9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All Chapters</td>
<td>Review for Exam 2</td>
<td>Come with Questions</td>
</tr>
<tr>
<td><strong>(Tuesday)</strong></td>
<td>Mar. 28</td>
<td><strong>Final Exam</strong></td>
<td>Chapters 8, 9, 11, 17, 18, &amp; 20</td>
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</tbody>
</table>

Final Exam: Tues., Mar 28th, 5:30pm – 9:15pm
Class Time: R 5:30pm-9:15pm (except the last day is Tues. Mar. 28th)
Office Hours: I will be available before class, after class, and by appointment

**Contact Information:** Dr. R. Brian Balyeat
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Office Telephone: 745-3013
Fax: 745-4383
Home Number: 779-0717 7:00AM - 10:00PM Emergencies Only

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