

Course Syllabus For
FINAN 4050-001: Intermediate Investments
Summer 2020

Instructor: Austin Hill-Kleespie
Classroom: Virtual Delivery via Zoom
Class meeting time: Monday 6pm to 9pm

Email: austin.hill-kleespie@eccles.utah.edu (Please send all emails to this address; I do not check the Canvas email)

Office hours will be held individually or in small groups as needed over Zoom. Please email me to set up a time if you would like to meet.

Prerequisites: Finance 3050 and Full Major status in Finance

COURSE DESCRIPTION

The overarching goal of this class is to get students familiar with financial markets and how they function. Financial markets themselves are large and complex and delving into all aspects of them would take significantly longer than this course allows. Instead we will accomplish our goal by investigating a variety of topics related to investment selection and portfolio management. Content will range from the basics (“What are the major asset classes?”) to the more complex topics (“How do we measure risk?”). By the end of the semester students will have the skills and knowledge to answer one of the trickiest questions of all: “How do you build an investment portfolio that maximizes return and minimizes risk?”

To aid students in this journey through the vast annals of finance we likely move beyond just the course textbook and examine other sources of information including news stories, industry reports, and academic research. Ultimately, we will approach the million-dollar question: "Can we predict investment returns?" Luckily (unluckily?) we are likely to find that the answer is not as straightforward as you might think. Things like survivorship bias, data snooping, and trading costs complicate things and cloud the answer. In reviewing this question we are likely to cover a range of portfolio formation methods that one might use in an attempt to identify future winner and loser securities. These methods will include traditional security analysis techniques, cross-sectional and time series forecasting methods, the use of artificial intelligence, and the one method that sometimes works the best: random selection.

When it comes to precisely predicting the stock market we will find that this tends to be a tricky endeavor and we have to use a good deal of caution to distinguish between chance correlation and true causality. Even when we do find evidence of what appears to be robust predictability, we will see that there is still a big concern whether the results are attributable to mispricing or risk or maybe even both. We will attempt to analyze the evidence on stock market predictability from a very critical standpoint. Unfortunately, this approach will often lead to answers such as “it depends,” “no one knows,” and “we need more data.”

COURSE MATERIALS

The **required material** for this course is:

1. *Investments, Tenth Edition*, by Bodie, Kane, and Marcus, Irwin McGraw-Hill, 2014. ISBN: 978-0-07-786167-4

Please note that this is not the newest version of the book. That is okay, as it turns out, because very little has changed about financial markets between this version and the newest versions. The benefit of using the older version of a popular business textbook is that it is readily available online and often much cheaper than current editions.

Textbook FAQs:

Question: Do I need the textbook?

Answer: Yes. The course is structured under the assumption that students have the textbook and are actively reading chapters from it during the semester. I additionally provide practice problems for each chapter to aid students in studying for exams. Not having the textbook will put students at a large disadvantage.

Question: Do I have to buy this exact edition?

Answer: Yes. Students may choose to purchase newer or older version of the textbook; however, this is not recommended. Different versions may contain different chapters, examples, case studies, practice problems etc. and as such it would be the student's responsibility to reconcile these differences. I do not provide any mappings across textbook versions.

Question: Can I use an international edition?

Answer: As with the prior question though it is not recommended that is ultimately your choice. It will be up to you to reconcile any differences between that and the version I am using. Again I do not provide any mappings across textbook versions.

COURSE WEBSITE & MATERIALS

Materials for this course will be available through Canvas. Class slides are typically released before class so students can follow along during the lecture.

The address for Canvas is: <https://utah.instructure.com/>

GRADING

Your grade for this course will be based on the following components:

<u>Item</u>	<u>Percent of Grade</u>
1) 5 Discussion Sections	20%
2) 10 Weekly Quizzes (Lowest 2 Dropped)	20%
3) Two midterm exams (30% each)	<u>60%</u>
TOTAL	100%

Discussion Sections

There will be a total of 5 discussions hosted on Canvas. On the week that the discussion question is released students will be expected to post their answer before Sunday at 11:59PM. During the following week students are then expected to respond to at least two of their peers in a respectful, well thought out, manner. Simply writing "I agree" (or similar) is not adequate.

Each discussion is worth 4% of the total semester grade. Percentage points are broken down as:

- 2 Points for posting a response to the original question on time
- 1 point for each response to a classmate (for a total of 2 points maximum)

Exams are graded using the following rubric

Criteria	Awesome	Almost	Did Not Meet Criteria
Initial Post	Initial Post is at least one paragraph long and references course materials and/or outside materials which provide support for the student's position. (2 points)	Initial post is short and/or does not contain references to course material which supports the position. (1 point)	Initial Post is not made by the Sunday 11:59PM deadline (0 points)
Peer Response	Student provided a detailed response to their peers. Detailed responses may include questions, specific comments, expanding on ideas etc. Responses are at least 3-5 sentences long. (1 point)	Student response is not detailed, specific to the original post, and/or the response is not least three sentences long. (0.5 points)	Initial Post is not made by the Sunday 11:59PM deadline (0 points)

Quizzes

Quizzes are delivered via Canvas on a (nearly) weekly basis. Each quiz contains 5 multiple choice questions and only the highest 8 quiz scores for each student are considered in the final class grade. Quizzes are intended to aid students in preparing for both mid-term exams and as such students have 15 minutes to complete the quiz once they begin. As with exams, quizzes can only be taken once and there are absolutely no retakes. Students are encouraged to review relevant course materials beforehand as each quiz question is worth 0.5% of the total semester grade.

Exams

The exams will be released on Monday of the scheduled week and will cover concepts and problems discussed in class and material from the textbook. Given the unique circumstances of this summer semester there will be no final exam. Material for each exam will correspond to information covered in classes and the textbook until the week in which the exam is given. **The second exam is not cumulative.**

Tentative Exam Dates:

Exam 1: Week of June 29

Exam 2: Week of July 27

Like quizzes, exams will be delivered virtually via Canvas. The exams will be composed of 60 multiple choice questions and students will have a two hours (120 minutes) to complete them. This means every question on the exams is worth 0.5% of your total semester grade, the same as for quizzes.

Given that these exams are being delivered virtually it is impossible to prevent students using outside resources. As such the exams should be considered "open note" and students can use whatever materials they choose in answering questions. **This does not mean students will not have to study beforehand.** The exams are meant to be challenging and provide students with the opportunity to demonstrate their mastery of the underlying subject. As such avoiding studying ahead of time is not advised.

EVERYONE will take the exams. **There are no make-ups for the exams.** If you plan to miss either of the exams, no matter what the excuse is, drop the class now.

Class Participation

Class participation beyond the discussion sections is not an explicit part of the grading scheme. However, I reserve the right to adjust your final grade based on an overall assessment of your contribution to the class. Insightful questions/comments that indicate careful preparation for and attention to class and related materials are good. Regular failure to attend and/or to be prepared may negatively affect your final grade.

CLASS PREPARATION

In my experience students tend to have the most success when they take time to prepare for class in a meaningful way. This includes reviewing lecture slides, textbook readings, and any other related materials before class. Prior to class I will post information on what we will be covering as well as any outside materials you may need.

Lectures will be built around the core issues and concepts from the textbook; but given the substantial breadth of material it is unlikely I will be able to cover everything. You will still be responsible for all of the assigned materials. To help you succeed on tests I will also suggest end-of-the chapter problems for you to review. These will not be collected but answers will be posted on the canvas website.

COURSE OUTLINE

We will be covering a substantial amount of material in a relatively short period of time. The course outline should be viewed as the general framework within which we will work. It is likely that we may not fully get through all of the material below and consequently, the following schedule will be adjusted as needed.

Material to be covered:

Chapter 1: The Investment Environment

Chapter 2: Asset Classes and Financial Investments

Chapter 3: How Securities are Traded

Chapter 4: Mutual Funds and Other Investment Companies

Chapter 5: Learning about Return and Risk from the Historical Record

Chapter 6: Risk Aversion and Capital Allocation to Risky Assets

Chapter 7: Optimal Risky Portfolios

Chapter 9: The Capital Asset Pricing Model

Chapter 10: Arbitrage Pricing Theory and Multifactor Models of Risk and Return

Chapter 11&12: The Efficient Market Hypothesis and Behavioral Finance

In general we will follow the book's topic ordering with only minor variation; we will skip chapter 8, and combine chapters 11 and 12 into the same chapter. Towards the end of the semester if we have time we may cover fundamental analysis and portfolio management (some of which is discussed in chapters 17, 18 and 19).

Center for Disability Services

The University of Utah, David Eccles School of Business seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in this class, reasonable prior notice needs to be given to the instructor and to the Center for Disability Services, <http://disability.utah.edu/>, 162 Olpin Union Building, 581-5020 (V/TDD) to make arrangements for accommodations. All written information in this course can be made available in alternative format with prior notification to the Center for Disability Services.

University Safety Statement

The University of Utah values the safety of all campus community members. To report suspicious activity or to request a courtesy escort, call campus police at 801-585-COPS (801-585-2677). You will receive important emergency alerts and safety messages regarding campus safety via text message. For more information regarding safety and to view available training resources, including helpful videos, visit safeu.utah.edu.

Addressing Sexual Misconduct.

Title IX makes it clear that violence and harassment based on sex and gender (which includes sexual orientation and gender identity/expression) is a civil rights offense subject to the same kinds of accountability and the same kinds of support applied to offenses against other protected categories such as race, national origin, color, religion, age, status as a person with a disability, veteran's status or genetic information. If you or someone you know has been harassed or assaulted, you are encouraged to report it to the Title IX Coordinator in the Office of Equal Opportunity and Affirmative Action, 135 Park Building, 801-581-8365, or the Office of the Dean of Students, 270 Union Building, 801-581-7066. For support and confidential consultation, contact the Center for Student Wellness, SSB 328, 801-581-7776. To report to the police, contact the Department of Public Safety, 801-585-2677(COPS)

David Eccles School of Business Statement of Professional and Ethical Conduct

Because of the importance of professional and ethical behavior in business, and its emphasis in our program, professional or academic misconduct is not tolerated in the David Eccles School of Business. Students are expected to adhere to the standards of behavior outlined in the University of Utah Code of Student Rights and Responsibilities (Policy 6-400). Students engaging in behavioral misconduct could be subject to suspension or dismissal from the University. Students involved in any form of academic misconduct, including but not limited to cheating on tests, plagiarism and collusion may, at the instructor's discretion, receive a failing grade in the course, examination, or academic assignment. In addition to or instead of this sanction, the instructor may refer the case to the Student Behavior Committee for hearing. If the instructor chooses not to do so, the Associate Dean for Academic Affairs, after appropriate investigation, may do so along with a recommendation to dismiss the student from the Business School. If, after hearing the evidence, the Committee determines that the student in question is guilty of the misconduct

charged, the Committee may impose sanctions in addition to those taken by the professor. If the academic dishonesty is not proven, the instructor must rescind any sanctions imposed and will be required to evaluate the student's performance with the assumption that there has been no misconduct. The School will treat the student likewise. If a student suspects another student of academic misconduct, he/she should refer the incident to the instructor, the appropriate department, the Associate Dean for Academic Affairs, or the Student Behavior Committee, administered by the Associate Dean of Students, 270 Union.

**David Eccles School of Business
Statement of Grading Policy**

Grading provides feedback to students on how well they have mastered the content and learning objectives of a particular course to allow students to capitalize on strengths and work to improve weaknesses through future courses of action. The DESB grading policy is intended to ensure grades offer reliable feedback regarding student performance, and to ensure fairness and consistency across the School. The faculty member is responsible for arriving at a grade for each student that the faculty member believes appropriately reflects the student's mastery of the course material and learning objectives. The faculty member will then consider the class' overall performance in terms of School guidelines. These guidelines are provided to ensure that grading, on average for the School as a whole, is sustained at a reasonable level over time. The guidelines are as follows:

COURSE LEVEL	GUIDELINE
1000-2000	2.4-2.8
3000-3990	2.6-3.0
4000-5990	2.8-3.2
6000-6990	3.1-3.5

If students have a concern about their grade in a particular course, they should consider whether it reflects an accurate evaluation of their mastery of the course material and learning objectives, in terms of the above descriptors. If they need clarification of the instructor's evaluation, they should meet with the instructor to obtain additional information and feedback. If after doing so, they believe their grade was arrived at in an inappropriate manner, they may pursue an appeal through the School's appeals process as described in Section 5.15 of the University of Utah Code of Student Rights and Responsibilities (Policy 6-400).

Statement on use of electronic devices in exams:

Use of any and all electronic devices (e.g. pagers, cell phones, language translators, laptops, tablets, calculators, etc.) is forbidden during an exam unless otherwise specifically authorized by the instructor. A student who uses an unauthorized device may be subject to penalties for academic misconduct.

Critical class dates (subject to change):

May 20th: Last day to drop class

Week of June 29th: Mid-Term Exam 1

Week of July 27th: Mid-Term Exam 2

July 27th: Last day of Class.