



COURSE SYLLABUS

Course: **FINN 3063 Investments**

Prerequisite: WCOB 2043 and FINN 3013

Course Objective:

The primary objective is to provide an integrated framework for understanding the mechanism of financial investments. The basic theme is the *Efficient Market Hypothesis* and *No Arbitrage Principle*. The course emphasizes intuition and practical applications of investment theory as well as some analytical analysis. Topics to be covered include *financial markets, portfolio theory and its applications, fixed-income securities, and introduction to futures and options*. The course best suits the following students (but not limited to):

- Those who aspire to pursue a career in investment banking.
- Those who would like to become a professional money manager.

Course Materials:

- Textbook (required): *Essentials of Investments* by Zvi Bodie, Alex Kane, and Alan Marcus, 8th edition, Irwin/McGraw Hill, 2009
- [Lecture Notes](#) - will be available on the web
- Recommended periodicals and newspapers: [Economist](#), [Wall Street Journal](#), [Business Week](#), [Smart Money](#) (most of the web editions are free, though you may need to register online)
- Books for fun:
 - [A Random Walk Down Wall Street](#) by Burton Malkiel
 - [When Genius Failed. The Rise and Fall of Long-Term Capital Management](#) by Roger Lowenstein
 - [Big Bets Gone Bad](#) by Philippe Jorion
 - [Devil Take the Hindmost: A History of Financial Speculation](#) by Edward Chancellor
 - [Fooled by Randomness](#) by Nassim Nicholas Taleb
- Movies for fun: [Wall Street](#), [Boiler Room](#), [Rogue Trader](#), [Trading Places](#)

There are assigned readings for each class. I expect that students come to class prepared for the materials that will be covered that day (the required readings are identified as Lecture# for lecture notes and BKM# for the chapter in the textbook). I may make cold calls on students to answer questions. I do not expect perfect answers from you, the thought process is way more important. I also strongly encourage students to ask questions - in many cases an insightful question is more valuable than a correct answer. You will also receive an extra point to your score on the Final Exam for catching each of my mistakes (believe me, you will have many chances). There is a limit of one point per person per lecture though.

Course Requirements:

There will be four individual written assignments, one midterm, and a final exam. The assignments are due before the class on the due date. **Assignments must be typed with students' names at the top of the first page. Late or hand-written assignments will not be accepted.** If you have to be out of town, you may fax or email your assignment to me, or you may ask someone to turn it in. The lowest grade on your assignments will be dropped. The midterm and the final exam will be closed-book. You can bring one standard size (8.5 x 11) cheat-sheet (both sides) for the midterm and two standard size (8.5 x 11) cheat-sheets (both sides) for the final exam.

The course content builds on students' knowledge learned in the previous finance classes (prerequisites - WCOB 2043 and FINN 3013). Proficiency in EXCEL is a must. There will be assignments involving extensive use of EXCEL. Good basic knowledge of statistics and some calculus is also required.

Grading

Your grade will be based on your class participation, assignments, the midterm and the final exam. The weights are given below:

Class Participation and FTS Dow Case	6%
Assignments	25%
Midterm	25%
Final Exam	44%

The FTS Dow Trading Case will run until 4PM on Dec 5, 2012 (the day before the last class). You will have to submit a typed report on Dec 6, 2012 outlining your trading strategy, and your portfolio value as of 4PM on Dec 5, 2012 (300 words maximum, and the word count must be included at the bottom of the report). You may also have to give a presentation on Dec 6 (3 to 5 PowerPoint slides) about your strategy and execution (and any personal grievances against the FTS software). The FTS Dow Trading Case part of the grade will not be based on your portfolio performance only. Overall strategy and execution are of no less importance. Keep in mind that no trading at all does not yield high marks on strategy or participation...

Grades will be curved based on the weighted average scores. If your Final Exam grade is better than the midterm, I will replace your Midterm grade with the Final Exam Grade. Don't hesitate letting me know if you think that you were adversely affected by a grading error (you do not have to report any grading errors in your favor).

Attendance:

Attendance is expected (and taken) for every class. If you **have to** miss a class, you **do not** have to ask for my permission. Just remember that class participation (attendance included) is weighed in the grade. However, anyone can miss up to two classes for any reason without any penalties.

Academic Integrity

Students have the responsibility to know and strictly observe the University of Arkansas Academic Integrity regulations as described at <http://provost.uark.edu/245.php>. Violators will be sanctioned according to the Academic Integrity Sanctions guidelines as described at <http://provost.uark.edu/246.php>.