

**FIN 310, Investments**  
(3 credit hours; course call number: 15575)

Class Schedule: Tuesday, Thursday: 2:00 – 3:15 pm, Lecture Center Building A004  
Course Website: <http://blackboard.uic.edu/>  
Instructor: Wendy Ku  
Office: 2326 University Hall  
Office hours: Tuesday, Thursday: 12:30-1:30 pm and by appointment  
Office telephone: 312.996.0773  
E-mail: [wku1@uic.edu](mailto:wku1@uic.edu)

Required Textbook: Z. Bodie, A. Kane, and A. Marcus, *Essentials of Investments* (McGraw-Hill/Irwin fifth edition, 2004, ISBN: 0072510773 or 0072855584 [BKM])

Prerequisites: Fin 300 (Introduction to Managerial Finance) and Math 205 (Advanced Mathematics for Business).

### Course Description

This course provides an overview of financial securities markets, investment instruments, and other important investment issues. Topics include risk and return characteristics of investments, efficient markets, equity investments, debt investments, derivatives investments, asset allocation, portfolio management, and risk management.

### Learning Outcomes

After completing this course, you should be able to understand how to trade on financial exchanges, how to fairly price a financial security, how to allocate money across different asset classes, how to evaluate a portfolio manager's performance, and how to manage financial risks. During the course we will introduce some of the most influential concepts of finance theory, such as the Markowitz Portfolio Selection Model, the Capital Asset Pricing Model (CAPM), the Arbitrage Pricing Theory (APT), and the Black & Scholes option pricing formula. You are expected to apply these fundamental concepts and theories to security valuation and analysis when making investment decisions. Additionally, you should gain financial research skills through the team project experience. A well-written and highly analytical report can serve as a good writing sample when you are looking for jobs in the financial industry.

### Evaluation

Midterm 1(*):	15%
Midterm 2:	15%
Final exam:	30%
Quizzes:	15%
Participation(**):	5%
Team project (***):	20%
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	100%

(\*): If your grade on midterm 2 is higher than midterm 1, then midterm 1 will account for 0% and midterm 2 will account for 30% of your final course grade.

(\*\*): Participation includes class attendance and online discussion.

(\*\*\*) : Team project includes a scheduled class presentation (5%) and a written report on stock analysis (15%).

Exams and quizzes:

There will be two midterms and a comprehensive (cumulative) final exam. The midterms and the final exam will consist of multiple choice, problem solving, and short essay questions. A few 10-min quizzes may be given without pre-announcement to ensure that students review class materials in a timely manner. Midterms and quizzes will be administered in the same room as the lecture during regularly scheduled class times. Students should bring their own calculators to these tests.

*Makeup exams* are only allowed for athletes participating in official University-sponsored events. Makeup exams will NOT be allowed for any other reason. If you miss a test for a legitimate reason, such as a medical emergency, then (providing that proper documentation has been provided) your other test scores will be re-apportioned to compensate for the missed exam.

Cheating will not be tolerated. Any student caught cheating during the exams or quizzes will receive zero credit and may face further disciplinary action.

Assignments: Students are expected to practice assigned chapter end questions in the required text [BKM]. However, homework will not be collected, but solutions will be provided in class.

Class attendance and participation: Attendance is required since the course is intensive and challenging. We will have approximately 28 class meetings during the semester; absences exceeding 1/4 of the class meetings will affect the final grade. Students are encouraged to actively participate in class discussion and problem solving.

Online discussion:

Students are required to participate in the online discussion on the Blackboard course website. Five topics will be posted by the instructor throughout the semester. Each student has to respond to, at least, 3 different topics and criticize an additional 3 responses of other classmates. Quality of the responses and critiques will also be considered.

Team project:

Students will be assigned to teams at the beginning of the semester by the instructor, taking into consideration each student's background. Any voluntary change in team members should be made and the instructor should be informed no later than the second week of the semester (1/20/2004). Team members will work together as a group of financial analysts specializing in a particular industry. The instructor will provide a list of industries for teams to choose from. After the industry sector is determined, each team has to choose a pair of companies to analyze in detail as well as to make investment recommendations, such as buy, hold, or sell. The project grade will be based on the team's performance at the pre-scheduled 10-min presentation and the quality of the written report. Each team should track the performance of the covered stocks on a weekly basis (although daily is highly recommended); investment recommendations should be updated and reported every Tuesday when we meet for class. We will use each team's recommendation to evaluate our "long-only class portfolio" and "long-short class portfolio" returns against appropriate market benchmarks.

Students are encouraged to utilize various research resources, such as the Wall Street Journal, Financial Times, Reuters.com, Bloomberg.com, Morningstar.com, Valueline.com, Mergent Online database, WRDS database, Standard and Poor's Industry Surveys and Stock Reports, Business and Company Resource Center, etc. Starting from the eighth week of the semester, we will designate 15 minutes of each class for presentations. We will use the last 5 minutes to discuss the team's recommendations. Detailed guidelines for the presentation and reference materials for written reports will be provided in class. The written reports are due on April 28th, 2005; no late submissions will be allowed.

## Two Week Drop Rule

All courses in the College of Business Administration are subject to the “two week drop” rule. After two weeks a student may drop a course only by petition, and such petitions are approved only in extenuating circumstances.

## Course Outline and Reading Assignments

Week	Date	Lecture Topics	Readings [BKM]
1	01/11 01/13	Introduction to Investments Financial Markets, Instruments, and Participants	Chapter 1 & 2
2	01/18 01/20	Trading Securities The Two Determinants of Investment: Risk and Return	Chapter 3 Chapter 5
3	01/25 01/27	Portfolio Analysis: Capital Allocation between Risk-free and Risky assets	Chapter 6
4	02/01 02/03	Equilibrium in Capital Markets: CAPM Equilibrium in Capital Markets: APT	Chapter 7
5	02/08 02/10	Review Session MIDTERM 1	Chapters covered
6	02/15 02/17	Equilibrium in Capital Markets: Market Efficiency	Chapter 8
7	02/22 02/24	Behavioral Finance Portfolio Performance Evaluation	Chapter 19 Chapter 20
8	03/01 03/03	Investors and Investment Process; Portfolio Management; International Diversification	Chapter 4, 17, & 21
9	03/08 03/10	Fixed-income Securities: Bond Prices and Yields Forward Interest Rates and the Term Structure of Interest Rates	Chapter 9
10	03/15 03/17	Review Session MIDTERM 2	Chapters covered
	03/22 03/24	SPRING BREAK; no classes	
11	03/29 03/31	Managing Bond Portfolios	Chapter 10
12	04/05 04/07	Derivatives Investment: Options	Chapter 14
13	04/12 04/14	Derivatives Investment: Option Valuation	Chapter 15
14	04/19 04/21	Derivatives Investment: Futures	Chapter 16
15	04/26 04/28	Risk Management Review Session; Written Reports Due on 04/28/05	(Materials to be distributed)
	05/03	FINAL EXAM (3:30-5:30pm)	All materials covered

Note: the course syllabus provides a general plan for the course; deviations may be necessary. It is your responsibility to stay apprised of changes in assignments, due dates, material to be covered, etc.

## Presentation and Appointment Schedule

Week	Date	Appointments	Presentations
3	01/25 01/27	Team #1 Team #2	
4	02/01 02/03	Team #3 Team #4	
5	02/08 02/10	No Appointments	
6	02/15 02/17	Team #5 Team #6	
7	02/22 02/24	Team #7 Team #8	
8	03/01 03/03	Team #9 Team #10	Team #1 Team #2
9	03/08 03/10	Team #11 Team #12	Team #3 Team #4
10	03/15 03/17		No Presentations
11	03/29 03/31		Team #5 Team #6
12	04/05 04/07		Team #7 Team #8
13	04/12 04/14		Team #9 Team #10
14	04/19 04/21		Team #11 Team #12

## Honor Code

This course and its associated coursework are being administered under the policies of the University of Illinois at Chicago (UIC) College of Business Administration Honor Code. All students are expected to respect and uphold this code.

### *Honor Code for the College of Business Administration*

As an academic community the College of Business Administration at the University of Illinois at Chicago is committed to providing an environment in which teaching, learning, research, and scholarship can flourish and in which all endeavors are guided by academic and professional integrity. All members of the college community – students, faculty, staff, and administrators – share the responsibility of insuring that high standards of integrity are upheld so that such an environment exists.

In pursuit of these high ideas and standards of academic life, as a student I hereby commit myself to respect and uphold the University of Illinois at Chicago (UIC) College of Business Administration Honor Code during my entire matriculation at UIC. I agree to maintain the highest moral and ethical standards in all academic and business endeavors and to conduct myself honorably as a responsible member of the college academic community. This includes the following:

- Not to seek unfair advantage over other students, including, but not limited to giving or receiving unauthorized aid during completion of academic requirements;
- To represent fact and self truthfully at all times;
- To respect the property and personal rights of all members of the academic community.