University of Hawai‘i at Manoa  
College of Business Administration  
FIN 311: INVESTMENTS  
Fall 2015  
Section 001 WF 9:00 – 10:15 PM, G103 CBA

Instructor: David L. Hunter  
Background: M.S. Mathematics, Statistics, and Operations Research, New York University  
Ph.D. Finance, University of Maryland  
CFA Charterholder  
Specialize in Research on the Performance and Behavior of Mutual Funds  
Office: CBA building, E tower, 602b  
Office Hours: Wednesdays & Fridays, 1:00-3:00 PM (or by appointment)  
Lab section: Mondays, 1:00 PM – 4:00 PM  
Phone: 808-956-8063  
E-mail: david.hunter@hawaii.edu

A. Course Prerequisites:

BUS 314: Business Finance. Students are also expected to have completed introductory courses in accounting, statistics, and economics.

B. Course Objective

The objective of this course is to introduce you to investment management and theory. Concepts include Investment Markets and Instruments, Modern Portfolio Theory, Factor Models, Investment Valuation, Security Valuation, Equity Portfolio Management, Fixed Income Portfolio Management, and Derivatives. If you are pursuing a concentration in finance, the course should be useful as a foundation for more advanced courses in investments, security analysis, portfolio management, and derivatives. This course should also give non-finance majors exposure to practical investment issues, and provide a framework to assist in future investment decisions. This course is one of the 7 courses that are required in the Financial Services & Planning (FSP) track, and covers CFP Board Principal Topics #24-28.

B. Course Format

1. Lectures: Most of the material will be covered by class lectures, which will follow book chapters. However, for certain topics, lectures will go beyond the material in the book, and therefore class attendance is strongly recommended.

2. Quizzes: A quiz will usually (but not always) be administered at the beginning of each class. The daily quiz will cover material presented in the previous lecture. We will use iClickers to participate in these quizzes and they will be graded. Your end-of-semester quiz grade will be taken from 50% of your best quiz scores. These problems are selected to assist you in exam preparation.

3. Homework: In addition to the daily quizzes, an occasional homework assignment will be assigned. These homework assignments contain more difficult practice problems than can be
presented in the daily quizzes. These problems will help you prepare for challenge problems in the course exams. After the midterm, additional homework assignments will correlate with intermediate steps that will help you advance towards the completion your group project. Although the group project will be submitted as a group, you are individually responsible for submitting your work on these intermediate steps. You may collaborate with your group members to complete these group project related assignments, but credit will only be given for your independently submitted homework.

4. Group Project: During the second half of the course (after the midterm), you must form a group (minimum of 3 students, and no more than 5 students) and submit a detailed security analysis of a company. You will be required to choose a company from a list that I will make available on Laulima. (The list normally comes from Forbes Magazine's list of the top 100 Small Cap Companies, which you can find on the internet.) No two groups may present the same company, and each company will be assigned by order of request.

Your report must be no longer than 8 pages and must include the following sections in the order listed below: Investment Thesis, Valuation Analysis, Business Description, Competitive Position, Financial Analysis, Risks to the Investment Thesis. If any team member copies ideas from an existing professional investment research report and it is discovered, they will receive no credit for this project.

At the end of the semester, each group will present their investment research report. This presentation must be presented as if you were a professional investment analyst. You must dress appropriately, and your research must be clearly and professionally presented.

You are required to submit a confidential 'peer review' at the end of the semester. In this 'peer review', you will evaluate the contribution that each of your group members provided to the group. You do not evaluate your own contribution, I will automatically assume you would rank your own contribution among the best in your group. Part of your total group project score will depend upon the rating that your peers allocate to you in their evaluation of your contributions. If you do not submit a peer review, you will earn zero points on this part of the group project, regardless of the input from your peers.

You are required to submit a 'presentation review' at the end of the semester. This 'presentation review' will contain your evaluation of other groups' presentations. You should not critique your own group's presentation. Your grade for this part of the group project will be based upon the quality of your evaluations of the other groups' presentations. You are also encouraged to engage the other groups with insightful questions during the question and answer portion of their presentations. Your participation in asking useful questions can influence your 'presentation review' score. Shallow or poorly conceived questions will not receive any credit, however.

Points for the project will be allocated as follows:

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Thesis (Report)</td>
<td>10</td>
</tr>
<tr>
<td>Valuation Analysis (Report)</td>
<td>10</td>
</tr>
<tr>
<td>Business Description (Report)</td>
<td>10</td>
</tr>
</tbody>
</table>
5. Group Project Extra Credit: You are invited to participate in an investment portfolio trading simulation. If you choose to participate in this activity, your investment performance can earn you a bonus of 2% on your group project percentage grade. (Note that group project grades will not be allowed to exceed 100%.) To receive the extra credit, your investment portfolio must outperform the S&P 500 stock index, and your portfolio performance must also rank among the top performing investment portfolios in the FIN 311 sections that I teach. The number of top portfolios that will be eligible will depend upon how many sections of FIN 311 that I am teaching that semester. A total of 5 students per section will be eligible to receive the extra credit. Note that this does not mean that 5 students in each section can receive extra credit. For example, up to 10 students could receive the extra credit if I am teaching two sections of FIN 311, regardless of which section they attend.

6. Midterm Exam: The exam will be closed-book and closed-notes. You are allowed one 8.5”x11” sheet of paper with formulas, etc. written on one side. The exam will contain both conceptual and computational problems and will consist of both multiple choice and short answer problems. The difficulty of most exam questions will be comparable to the daily quiz questions, but a portion of the exam will consist of more challenging questions such as those contained in the homework assignments. You will not be tested on material in the textbook that was not discussed in class. There will be no make-up exams given.

7. Final Exam: The exam will be closed-book and closed-notes. You are allowed one 8.5”x11” sheet of paper with formulas, etc. written on both sides. The exam format will be similar to the midterm exam format, both in structure and difficulty. The final exam is comprehensive. There will be no make-up exams given.

C. Course Materials

1. Required: The textbook for this course is Essentials of Investments, 9th Edition, by Bodie, Kane, and Marcus.

2. Required: iClicker for taking daily quizzes.

3. Required: I will post lecture materials and assignments on the course webpage to assist you in your coursework. The course web page is on the business school’s Laulima system at http://laulima.hawaii.edu

4. Suggested: Wall Street Journal. Reading the WSJ on a regular basis is a very good way to keep on top of developments in the world of finance and business. Wall Street Journals are available every morning near the 1st floor newspaper distribution area.
D. Grading

Your course grade will be determined by the following:

- **Quizzes**: 10%
- **Homework Assignments**: 10%
- **Project**: 30%
- **Midterm Exam**: 25%
- **Final Exam**: 25%

The midterm and final exam may be curved to reflect the class performance and to adjust for exam length or difficulty.

**WARNING**: The next paragraph is written in the language of financial derivatives. By the end of the semester, you should be able to understand it as it is written. A translation will follow immediately after the offending paragraph.

After the midterm we will study a chapter about derivatives, and at that time you will be issued one-half of a “final exam percentage score” European call option. This option is non-transferable, so it may not be traded or exchanged with other class members. The option's strike price is your “midterm percentage score”, and the option will expire on the day of the final exam. Your final exam score determines the value at expiration of this option. The option's payoff will be added to your midterm exam score. You do not need to notify me of your intent to exercise this option. If you've have never invested in derivative before, congratulations! This represents your first derivatives contract!

**TRANSLATION**: If your final exam percentage score is higher than your midterm exam percentage score, one-half the difference will be added back to your midterm exam percentage score.

The final letter grade will be determined based on the following cut-off:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>A+</td>
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<tr>
<td>94 - 99</td>
<td>A</td>
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<tr>
<td>90 - 93</td>
<td>A-</td>
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<tr>
<td>87 - 89</td>
<td>B+</td>
</tr>
<tr>
<td>83 - 86</td>
<td>B</td>
</tr>
<tr>
<td>79 - 82</td>
<td>B-</td>
</tr>
<tr>
<td>76 - 78</td>
<td>C+</td>
</tr>
<tr>
<td>70 - 75</td>
<td>C</td>
</tr>
<tr>
<td>60 - 69</td>
<td>C-</td>
</tr>
<tr>
<td>55 - 59</td>
<td>D+</td>
</tr>
<tr>
<td>45 - 54</td>
<td>D</td>
</tr>
<tr>
<td>40 - 44</td>
<td>D-</td>
</tr>
<tr>
<td>&lt; 40</td>
<td>F</td>
</tr>
</tbody>
</table>
F. CBA Policies

All relevant CBA policies concerning academic honesty, grievance procedure and confidentiality in grading apply. Please refer to academic dishonesty as defined by the UH Student Conduct Code (www.hawaii.edu/student/conduct) for detailed policy. The last day to withdraw from a Shidler College of Business class with a “W” is September 14th. Students intending to withdraw from all University of Hawaii at Manoa courses must contact their college student academic services representative for assistance. A signed “Drop Form” or other document does not guarantee that you will be able to withdraw from a course. Students with disabilities are encouraged to contact the KOKUA Program for information and services. Services are confidential and free of charge. In case of need, contact KOKUA at 956-7511, (kokua@hawaii.edu, or Student Services Center Room 13).

G. Special Needs:
Any student with special needs should bring this to the attention of the instructor as soon as possible, but not later than the second week of class.
<table>
<thead>
<tr>
<th>Class Date</th>
<th>Topic</th>
<th>Parts</th>
<th>Chapters</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/26</td>
<td>Syllabus, Introduction, Inv. Background</td>
<td>Part 1: Elements of Investments</td>
<td>Chapter 1</td>
</tr>
<tr>
<td>08/28</td>
<td>Investment Style, Investors, Investment Process</td>
<td>Investments</td>
<td>Chapter 1, 2</td>
</tr>
<tr>
<td>09/02</td>
<td>Financial Markets and Instruments</td>
<td></td>
<td>Chapter 2, 3</td>
</tr>
<tr>
<td>09/04</td>
<td>How Securities are Traded</td>
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<td>Chapter 3</td>
</tr>
<tr>
<td>09/09</td>
<td>Securities Trading and Mutual Funds</td>
<td></td>
<td>Chapters 3, 4</td>
</tr>
<tr>
<td>09/11</td>
<td>Guest Presentation: Fixed Income and ABS</td>
<td></td>
<td>Chapters 4, 5</td>
</tr>
<tr>
<td>09/16</td>
<td>Mutual Funds and Other Investment Companies</td>
<td></td>
<td>Chapters 4, 5</td>
</tr>
<tr>
<td>09/18</td>
<td>Risk and Return: Past and Prologue</td>
<td>Part 2: Portfolio Investment Theory</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>09/23</td>
<td>Risk and Return: Past and Prologue</td>
<td></td>
<td>Chapter 5</td>
</tr>
<tr>
<td>09/25</td>
<td>Efficient Diversification</td>
<td></td>
<td>Chapter 6</td>
</tr>
<tr>
<td>09/30</td>
<td>Efficient Diversification-continued</td>
<td></td>
<td>Chapter 6</td>
</tr>
<tr>
<td>10/02</td>
<td>CAPM and APT</td>
<td></td>
<td>Chapters 7</td>
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<tr>
<td>10/07</td>
<td>CAPM and APT</td>
<td></td>
<td>Chapter 7</td>
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<tr>
<td>10/09</td>
<td>CAPM and APT</td>
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<td>Chapter 7</td>
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<tr>
<td>10/14</td>
<td>Mid-Term Review</td>
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<td>Chapters 1-7</td>
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<tr>
<td>10/16</td>
<td>Mid-Term Exam</td>
<td></td>
<td>Chapters 1-7</td>
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<tr>
<td>10/21</td>
<td>Bloomberg Introduction, Group Project</td>
<td>Introduced</td>
<td>Chapter 7</td>
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<tr>
<td>10/23</td>
<td>The Efficient Markets Hypothesis</td>
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<td>Chapter 8</td>
</tr>
<tr>
<td>10/28</td>
<td>The Efficient Market Hypothesis</td>
<td></td>
<td>Chapter 8</td>
</tr>
<tr>
<td>10/30</td>
<td>Top Down Investment Management</td>
<td>Part 3: Valuation</td>
<td>Chapter 12</td>
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<tr>
<td>11/04</td>
<td>Top Down Investment Management</td>
<td></td>
<td>Chapter 12</td>
</tr>
<tr>
<td>11/06</td>
<td>Bottom Up Investment Management</td>
<td></td>
<td>Chapter 13</td>
</tr>
<tr>
<td>11/11</td>
<td>Veterans' Day Holiday; Enjoy the Break!</td>
<td></td>
<td>Chapter 13</td>
</tr>
<tr>
<td>11/13</td>
<td>Bottom Up Investment Management</td>
<td></td>
<td>Chapter 13</td>
</tr>
<tr>
<td>11/18</td>
<td>Financial Statement Analysis</td>
<td></td>
<td>Chapter 14</td>
</tr>
<tr>
<td>11/20</td>
<td>Financial Statement Analysis</td>
<td></td>
<td>Chapter 14</td>
</tr>
<tr>
<td>11/25</td>
<td>Options and Futures</td>
<td></td>
<td>Chapter 17</td>
</tr>
<tr>
<td>11/27</td>
<td>Thanksgiving Holiday: Enjoy the Break!</td>
<td></td>
<td>Chapter 17</td>
</tr>
<tr>
<td>12/02</td>
<td>Options and Futures; Derivative Strategies and Valuation</td>
<td>Part 4: Derivatives</td>
<td>Chapter 17</td>
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<tr>
<td>12/04</td>
<td>Security Analysis Presentations</td>
<td></td>
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</tr>
<tr>
<td>12/09</td>
<td>Security Analysis Presentations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/11</td>
<td>Final Exam Review</td>
<td>Comprehensive</td>
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</tbody>
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**FINAL EXAM: Monday, Dec 14th, 7:30 – 9:30 AM,**

*The schedule indicated above is tentative; changes may be made as the semester progresses.