UNIVERSITY OF HAWAI’I AT MANOA
Shidler College of Business
FIN 634: Investment Analysis and Management
Fall 2015

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Class Meetings: Thursday 6:00-8:45 p.m. Classroom: BUSAD D101
Office Hours: F 3:30-4:30 p.m. or by appointment
Teaching Assistant: Scott Li (with Email: sli2002@hawaii.edu), F 3:00-5:00 p.m.

1. Course Prerequisites

BUS 629: Managerial Finance. Students are also expected to have completed introductory courses in accounting, statistics and economics.

2. Course Description, Broad Topics and Course Pedagogy

This course provides the students with understanding of trading and valuation of financial securities. It also provides institutional details of the U.S. financial markets. The main topics include: asset allocation and security analysis; how financial securities are issued and traded; modern portfolio theory; theory of asset pricing models; stock and bond valuation; introduction to derivative assets. This course provides a good foundation for students who are interested in NASD series 7 exams as well as CFP/CFA exams. Our main learning methods include lectures, videos, class-room discussions, problem solving, and projects in stock simulation and equity analysis. In addition to working independently on basic concepts and analytical tools, students should also actively participate in the class discussions and group projects.

3. Course Materials


ii) Lecture Notes, handouts, answers to assigned homework, and announcements are available at Laulima. To download the files, log on at laulima.hawaii.edu using your UH user name and password, and select “FIN-634-001 [MAN.78983.FA15]”.

iii) Wall Street Journal (WSJ). Articles taken from WSJ may be assigned for discussions in class. It is also very useful for the investment simulation project. “What’s News” in the first section and “Money & Investing” section are strongly recommended readings. In addition, there are many useful financial online resources. The textbook provides a list of related websites at the end of each chapter.
4. Course Requirements

Class Participation:

Attendance is mandatory for all students. Absence for any personal reasons should be brought to the instructor's attention via phone or email. Students are also expected to participate in the class discussions.

Exams:

There will be one mid-term exam and one final exam. The final exam is cumulative. Detailed information about exams will be given in class.

Homework:

End of chapter problems and other problem sets will be assigned as homework. The homework will help you understand the lecture materials and prepare for the exams. Homework should be submitted to "Assignments" at Laulima in time. Homework will be graded as follows: 1 - satisfactory completion; 0.5 - unsatisfactory completion (parts missing or not well-done); 0 - assignments not submitted. Please note that grades depend on your attitude, rather than correctness. Copies from the solution manual and other students' assignments will get 0. Grades of homework can be found from "Gradebook" at Laulima. The solutions to homework will be posted at Laulima and discussed in class.

Project 1: Investment Simulations

As part of the course requirements, we will use a stock market simulator provided by Stock-Trak (www.stocktrak.com). The simulation will be a team work, with the maximum of 3 students in each group. Each group shares an account with the registration fee $27.95 (entering the promotional code BKM0912 will save you $5). I have requested "standard" service, which allows us to make 200 trades for a period up to 10 weeks. To register your account, go to http://www.stocktrak.com/public/members/registrationstudents.aspx?p=UH-Fin634-Fall15. Our trading period starts on September 21 and ends on November 27. You will start out with $1,000,000 cash at your disposal. As a portfolio manager, capital appreciation is your major investment objective and you also need to manage your risk level. During the course of the trading period, you will have to engage in at least one buy or sell transaction per week and a minimum of 50 trades over 10 weeks; a passive strategy is not acceptable. You need select at least 4 out of 7 asset classes (stocks, bonds, mutual bonds, options, spots, futures, and futures options) to invest and you are encouraged to explore international markets. Your strategy should incorporate the use of all order types including market, limit, and stop orders. The maximum of each position you take in an asset is 10% and cash should not exceed 30% of your portfolio at the end of trading period. The winners have the chance to get 1-2 points as extra credit.

To assist our investment simulation and perhaps to provide some incentives to read and follow financial news, each group shall be responsible for making two presentations on market recapitulation. The presentation may (not limited to) include the latest market
performance/trend/change, important events that may affect stock or bond prices, e.g.,
government monetary and economic policy, important corporate announcements (and any other
insights and tips that may be useful for your investment) and should definitely include a
summary of your portfolio allocation and performance.

At the end of the semester, each group must also submit a portfolio performance report. The brief
report should include 1) the statement of the group’s objective and investment plan(s); 2)
specification of the group’s risk tolerance; 3) How would you grade your overall performance?
4) What was your greatest success story? 5) What was your worst mistake? 5) Summary of your
overall portfolio management experience, and the underlying strengths, weakness, opportunities,
and threats that you may have encountered during the course of the trading period.

Project 2: Group Assignment on Securities Markets

There is a group project on the following topics: 1. Portfolio Optimization, 2. Fundamental
Analysis. This project involves applications of what we study from class. The project will
include a written report (max 10 pages, not including figures and tables), and a presentation of
the proposal. Detailed descriptions and requirements about the project will be discussed in class
after the midterm.

It should be noted that both projects are group work. All members of a group will be held jointly
responsible for the quality and the timeliness of the work product.

5. Examination Policy

Both mid-term exam and the final exam will be taken by the students as per the course schedule.
No make-up exam will be allowed. In general, work related conflicts or overlapping requirements
due in other classes are not valid excuses for rescheduling exams. You can bring your calculator
to the exams. You are also allowed to bring in a piece of information sheet in the exam. The
information sheet should be on a standard 8.5 x 11 (a standard Xerox paper) paper (or
equivalent), either on both sides or on one side two pages.

6. Grade Determination

Your grade in this course will be determined by homework, class participation, group projects,
mid-term exam and the final exam. The final grade will be weighed as follows:

<table>
<thead>
<tr>
<th>Grading Scheme</th>
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<tbody>
<tr>
<td>Class Participation and Homework</td>
<td>5%</td>
</tr>
<tr>
<td>Group Project: Project 1 (15%); Project 2 (10%).</td>
<td>25%</td>
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<tr>
<td>Mid-term exam</td>
<td>30%</td>
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<tr>
<td>Final Exam</td>
<td>40%</td>
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</tbody>
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The final letter grade will be determined based on the following cut-off: 95+: A+; 90 ~ 95-: A;
85 ~ 90-: A-; 80 ~ 85-: B+; 75 ~ 80-: B; 70 ~ 75-: B-; 65 ~ 70-: C+; 60 ~ 65-: C; 55 ~ 60-: C-;
50 ~ 55-: D; < 50: F. I may curve up the exam scores of all students if necessary.
7. SCB Policies

All relevant SCB policies concerning academic honesty, grievance procedure and confidentiality in grading apply. The last day to drop classes without "W" and change sections is Monday, August 31. The last day to withdraw from a business class with a "W" is Monday, September 14. 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, or kokua@hawaii.edu, or Student Services Center Room 13. Early contact is strongly recommended.

8. Schedule of Events

<table>
<thead>
<tr>
<th>WEEK</th>
<th>DATE</th>
<th>Tentative Course Calendar *</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aug 27</td>
<td>Syllabus, The Investment Environment, Asset Classes and Financial Instruments</td>
<td>Chapters 1, 2</td>
</tr>
<tr>
<td>2</td>
<td>Sep 3</td>
<td>Asset Classes and Financial Instruments, How Securities are Traded</td>
<td>Chapters 2, 3</td>
</tr>
<tr>
<td>3</td>
<td>Sep 10</td>
<td>How Securities are Traded, Mutual Funds and Other Investment Companies</td>
<td>Chapters 3, 4</td>
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<tr>
<td>4</td>
<td>Sep 17</td>
<td>Introduction to Risk, Return, and the Historical Record, Risk Aversion and Capital Allocation to Risky Assets</td>
<td>Chapters 5, 6</td>
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<tr>
<td>5</td>
<td>Sep 24</td>
<td>Optimal Risky Portfolios and Index Models Project 1 (Investment Simulation) Starts on Sep 21</td>
<td>Chapters 7, 8</td>
</tr>
<tr>
<td>6</td>
<td>Oct 1</td>
<td>The Capital Asset Pricing Model, Arbitrage Pricing Theory and Multifactor Models of Risk and Return</td>
<td>Chapters 9, 10</td>
</tr>
<tr>
<td>7</td>
<td>Oct 8</td>
<td>The Efficient Market Hypothesis, Behavioral Finance and Technical Analysis</td>
<td>Chapters 11, 12</td>
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<td>8</td>
<td>Oct 15</td>
<td>Midterm Exam, Macroeconomic and Industry Analysis</td>
<td>Chapter 17</td>
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<tr>
<td>9</td>
<td>Oct 22</td>
<td>Midterm Review, Equity Valuation Models, Financial Statement Analysis</td>
<td>Chapters 18, 19</td>
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<tr>
<td>10</td>
<td>Oct 29</td>
<td>Bond Prices and Yields, The Term Structure of Interest Rates, Project 2 Starts on Oct 29</td>
<td>Chapters 14, 15</td>
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<td>11</td>
<td>Nov 5</td>
<td>The Term Structure of Interest Rates, Managing Bond Portfolios</td>
<td>Chapters 15, 16</td>
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<td>12</td>
<td>Nov 12</td>
<td>Options Markets, Option Valuation</td>
<td>Chapters 20, 21</td>
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<tr>
<td>13</td>
<td>Nov 19</td>
<td>Option Valuation, Futures Markets Project 1 (Investment Simulation) Ends on Nov 27</td>
<td>Chapters 21, 22</td>
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<tr>
<td>14</td>
<td>Dec 3</td>
<td>Project 2 Presentations, Preview for the final exam Written Reports of Two Group Projects Due on Dec 5</td>
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<td>15</td>
<td>Dec 10</td>
<td>Final Exam</td>
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* The schedule indicated above is tentative; changes may be made as the semester progresses.