Stillman School of Business, Seton Hall University

The mission of the Stillman School of Business is to enrich the life of each student through a nationally recognized educational experience that is inspired by innovative teaching, supported by applied research, and guided by a values-centric curriculum.

FALL 2009 BFIN4227 Investment Analysis

Instructor: Professor Eleanor Xu, Ph.D., CFA
Course website: Blackboard course site can be accessed from http://piratenet.shu.edu/
Office Hours: M 3:15-5:00PM, W 9:20-9:50AM and 1:00-1:45PM, and by appointment
Class Meetings: Section AA: MW 10-11:15AM; Section AB: MW 11:30AM-12:45PM
Office: Jubilee Hall, Room 609
Phone: (973) 761-9209; Fax: (973) 761-9217; Email: xuxe@shu.edu
Secretary: Kelly N. Hill, Phone: (973) 761-9207

COURSE DESCRIPTION:

The objective of this course is to help students develop a solid understanding of the theory and practice of investment analysis. Course coverage includes security trading mechanism, investment theories, equity and bond valuations, and portfolio performance evaluation, with an emphasis on developing analytical skills for the investment process. Students are also expected to gain hands-on experience in security selection and portfolio management through a group-based investment simulation project.

COURSE MATERIALS:

- ***Required Textbook: Essentials of Investments, by Bodie, Kane and Marcus (BKM), McGraw-Hill Irwin, 7th Edition, ISBN: 0-07-340517-5***
- **Blackboard:** I will post announcements, lecture notes, exercises, solutions, assignments, spreadsheets, and other course information on Blackboard (accessible through http://setonhall.blackboard.com). You are responsible for downloading, printing, and reading the relevant materials. You are ***required*** to print out the lecture notes before class and have them accessible during class as a first-draft of your own notes.
- **Bloomberg and Telemet:** Bloomberg and Telemet both provide real time and historical price, trading data, news and analytics on financial markets. Access to Bloomberg and Telemet is available from the 5th floor trading room.
- **Web Resources**: A list of important resource links for this course can be found at *http://pirate.shu.edu/~xuxe/invest.htm*

PREREQUISITES: Business Finance (BFIN2201) and Basic Statistics

GRADING: Your course grade will be based on the following weights:

Exam #1	25%
Exam #2	25%
Excel Assignments #1 and #2	20%
STOCK-TRAK Investment Project (Report and Presentation)	20%
Attendance and Participation	10%
Total:	100%

COURSE REQUIREMENTS:

1. **Exams:** There will be two exams (closed book) through the course. You will be allowed one 8 ½ × 11 inch index card for each exam. The dates and coverage of the exams are given in the time schedule below. No make-up exams will be given without prior approval from the instructor. Make-up exams are available only under exceptional circumstances with support of an official document.
2. **EXCEL ASSIGNMENTS**: The two excel assignments are designed to help students develop spreadsheet modeling skills in portfolio optimization and asset pricing. Details of the assignment will be distributed in class and made available though BLACKBOARD.
3. **STOCK-TRAK INVESTMENT PROJECT**: Students will participate in a group-based investment simulation project with an initial wealth of $1,000,000 over a ten-week trading period from Sep. 21 to Nov. 27. The project will be managed by the nationwide investment simulation broker STOCK-TRAK. Students are required to formulate trading strategies, conduct research, select securities, execute trades and track weekly performance of their portfolio. A comprehensive written report and a professional oral presentation are required for each group. Please see pages four and five of this syllabus for details on the project.
4. **ATTIENDANCE AND PARTICIPATION:** Regular class attendance is mandatory. If you must miss a class for any reason, please notify me as soon as possible. Active class participation is an important aspect of effective leaning. Sharing your ideas and experience, asking questions, contributing to class discussions, and participating in in-class exercises will benefit you and you classmates. Cell phones, Blackberries, iPhones, or any other electronic devices are not allowed to be used or heard in class. Laptops are permitted for note taking or other permitted functions instructed by the professor.
5. **FINANCIAL CALCULATOR:** You will need a financial calculator for this course, but calculators with text-storing capability are strictly prohibited in exams. The **Texas Instrument BA II Plus** calculator is strongly recommended. The **Hewlett Packard 12C** calculator is also acceptable. Both calculators are approved by the Chartered Financial Analyst (CFA) program.
6. **HONESTY AND INTEGRITY are fundamental expectations in this class. Any type of academic dishonesty will not be tolerated. The following is the Stillman School's policy on Academic Dishonesty, as collectively agreed to by the faculty:**

Stillman Business School's Policy on Academic Dishonesty

If a faculty member determines that an incident of academic dishonesty has occurred, and that incident is serious enough to warrant a failing grade, the student should be awarded an "F" grade. When an "F" grade is awarded as a result of academic dishonesty, the faculty member should notify the Dean's Office so that a note documenting the occurrence can be placed in the student's file.

Repeat incidents of academic dishonesty by a Stillman School student will result in expulsion from the Stillman School. Repeat incidents of academic dishonesty by a non-Stillman student will result in that student being prohibited from taking classes in the Stillman School. The Dean's Office will undertake the responsibility of enforcing the regulations regarding repeat incidents.

Acts of academic dishonesty include, but are not limited to, the following:

1. *copying, sharing or obtaining information from any unauthorized source during projects, examinations, or exams;*
2. *copying from or unauthorized sharing of homework assignments with another student;*
3. *failing to properly cite sources (including ideas and phrases taken from articles, books, the Internet, etc.);*
4. *attempting to take credit for the intellectual creation of another person as one's own work;*
5. *falsifying information;*
6. *giving or receiving information about or during a test, exam or assignment solutions to other students.*

BFIN4227 Fall 2009 Tentative Course Schedule & Readings
(Revised as of September 18)

Date	Class	Topics	Readings in BKM
			Chapter
Part A. Introductions to Investments and Security Trading			
Aug. 31	1	Course Introduction; Introduction to Trading Game	
Sep. 2, 9	2	Asset Classes and Financial Instruments	2
Sep. 7		*Labor Day (no class)*	
Sep. 14	3	Securities Markets	3
Sep. 16		*Telemet Installation and Training in Class*	
Sep. 21 ☺,	3	Securities Markets (Continued) Stocktrak Group One-Page Team Statement Due	3
Sep. 23, 28	4	Mutual Funds, Hedge Funds and ETFs	4
Part B. Portfolio and Asset Pricing Theories			
Sep. 30	5	Risk and Return; Capital Allocation	5
Oct. 5 , 7	6	Efficient Diversification/ Markowitz Portfolio Theory	6
Oct. 12, 14☺	7	CAPM and Multi-factor Models Excel Assignment #1 Due Oct. 14	7
Oct. 19	8	Efficient Market Hypothesis and Behavioral Finance	8, 9
Oct. 21☺	9	Exam #1 (Classes 1-8)	
Part C. Equity Valuation and Analysis			
Oct. 26, 28	10	Macroeconomic and Industry Analysis	12
Nov. 2, 4	11	Equity Valuations - Discounted Cash Flow Methods	13 (I)
Nov. 9, 11☺	12	Equity Valuations - Relative Valuation Methods Excel Assignment #2 Due Nov. 11	13 (II)
Part D. Portfolio Performance Evaluations			
Nov. 16	13	Portfolio Performance Evaluation	18
Part E. Bond Valuation and Analysis			
Nov. 18, 23	14	Bond Prices and Yields	10
Nov. 25		*Thanksgiving Break*	
Nov. 30		*Stock-Trak Group Meeting – Preparing Project Report*	
Dec. 2, 7	15	Bond Portfolio Management	11
Dec. 9 ☺	16	Exam #2 (Classes 10-15)	

Stock-Trak Term Project

☺ **Dec. 16 (Wednesday) 1:00PM: Written report due**
Oral presentation during assigned final exam periods:
☺ **BFIN 4227 Section AA -- Dec. 17 (Thursday) 12:20PM-2:20PM**
☺ **BFIN 4227 Section AB -- Dec. 18 (Friday) 10:10AM-12:10PM**

Stock-Trak Investment Project, BFIN4227, Fall 2009

- Project Objective: The objective of this project is to for students to learn more about market instruments and security market trading mechanism, to gain first hand experience on security analysis, trading and portfolio performance evaluation, to understand market volatility and the major factors that drive security prices, to research frequently at Wall Street Journal, financial databases and various finance websites, and to develop team working skills and critical thinking skills.

- Broker: Stock-Trak, http://www.stocktrak.com
  Stock-Trak is a nationwide portfolio simulation broker. Using Stock-Trak's Web site at http://www.stocktrak.com, you can read trading rules, register team account, look up security symbols, get quotes, make trades, keep track of account values, view rankings, and more. If you have any questions regarding your account or trades, you may also call Stock-Trak at 1-800-786-TRAK

- Investment Team Formation and Stock-Trak Registration: Read the trading rules carefully; **join into groups of three students as investment teams;** discuss your desired investment strategies with your teammates and choose a team name (i.e. account username) to reflect your strategy; register an account as an investment team for the ten-week trading period during the semester. To register your team, you can use the following link: http://v2.stocktrak.com/public/members/registrationstudents.aspx?p=SHU-BFIN4227-Fall09. Please note that and the trading begins on Sep. 21 and teams need to be registered before that.

- Initial Cash Balance: $1,000,000

- Margin Requirement: The margin requirement for stock purchases and short sales is 50%. This means that for stock purchases you can borrow up to 50% of the total cost. For short sales, you must deposit an amount equal to 50% of the current market value of your short positions. Starting with $1,000,000, STOCK-TRAK may loan you another $1,000,000, making your total buying power $2,000,000.

- **Trading Period: Ten Weeks, Monday, September 21 through Friday, November 27.**

- Trading Time: 9:30am-4pm Eastern time. Any trade made after 4pm will be processed the next business day.

- Securities that can be traded:

  1. **Stocks**: NYSE, AMEX or NASDAQ stocks that are priced at $1 or more, and a selection of foreign stocks
  2. **Bonds**: A selection of US government and corporate bonds
  3. **Mutual funds**: Most of the popular mutual funds.

  Note: Students are not allowed to trade commodities, futures, options and preferred stocks in this portfolio simulation project.

- Number of Trades: Up to100 Trades.

- Position Limit: No single position in any security is to exceed 25% of the fund's value.

- **Investment Team Statement:** On **Sep. 21**, each investment team needs to hand in a one-page typed statement identifying the followings: (1) Stock-Trak team user name; (2) The names, phone numbers and email addresses of team members; (3) Your team's investment objective, trading strategy, and benchmark index.

- **Recommended tools for your security research and analysis**: Telemet, Bloomberg, Wall Street Journal, Finance websites (such as Stock-Trak, Yahoo-Finance, etc.)

- What Do You Need to Do During the Trading Period:
  (1) Research the securities before you trade them; (2) Keep a record of the rationale for each trade decision that you made during the simulation; (3) Follow new and development that discuss the securities that you trade; (4) Track the weekly performance of your portfolio and your benchmark index. (5) Contact me if you have any questions.

- **Project Report, Presentation, and Project Grade: A comprehensive report documenting the portfolio trading activity and analyzing the portfolio investment performance is due *December 16*. Your investment team should turn in one paper with the course and session number (BFIN4227AA or AB), your team name, and team members' name on the cover page. The paper should contain six to eight double-spaced pages of texts. Charts, tables and other supporting documents should be placed in the Appendix. A list of references should be included after the text and before the appendix.**

  (1) 10% will be based on your portfolio trading activity: ability to follow trading rules, reasonable number of trades (more points will be awarded for each trade until you reach 20 trades), promptness in starting the portfolio simulation, etc.
  (2) 15% will be based on a discussion of your investment objective, portfolio strategy, a chronicle of your trading activity during the trading period, and justifications for each trading decision.
  (3) 25% will be based on the analysis of the risk and return performance of your portfolio relative to your benchmark, and a thorough evaluation of your portfolio performance.
  (4) 25% will be based on computation and ranking of holding period returns for all stocks in your portfolio and analysis of the six best performing and worst performing stocks in your portfolio.
  (5) 10% will be based on a critique of your portfolio using what you have learned through the class and from your portfolio simulation experience. What would you have done differently in terms of portfolio strategy and security selection if you were to invest your own wealth of $1,000,000?
  (6) 15% will be based on the oral presentation of your Stock-Trak report.

  ☺ Important dates for the Stock-Trak investment project:
  - **Sep. 21: Trading Begins and Investment Team One-Page Team Statement Due**
  - **Nov. 27: Trading Ends**
  - **Dec. 16: Written Report Due**

  Oral presentation:
  - **BFIN 4227 Section AA Dec. 17 (Thursday) 12:20PM-2:20PM**
  - **BFIN 4227 Section AB Sec. 18 (Friday) 10:10AM-12:10PM**

BFIN4227 INVESTMENT ANALYSIS
FALL 2009
SETON HALL UNIVERSITY
STUDENT INFORMATION FORM

Full Name _____

Preferred to be called _____

Major (s) _____

Contact phone number _____

Contact E-mail address(es)

_____

_____

Expected graduation date at SHU: _____

List of Finance course(s) that you have taken at SHU:

_____

_____

Special Requests or Suggestions:

_____
_____