

## AUGSBURG COLLEGE

FIN 438

INVESTMENT THEORY

FALL 2007

**Instructor:** Dr. Marc McIntosh  
Dept. of Business Administration, Accounting and MIS  
Office: 313A Memorial Ext. TBD  
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**Class:** Alternate Saturdays 8:30 am to 12:00 pm  
Room: Old Main 12

**Office Hours:** Up to one hour after class and by appointment.

### **Course Objective/Rationale:**

This course is an introduction to the world of investment decision making and portfolio management. Organization of the securities markets, development of investment theory, valuation principles and practices, risk and return analysis, derivatives and efficient markets will be among the topics covered.

In recent years the workings of the securities markets have taken an increasingly important role in our professional and personal lives. The globalization of the world economy and the securities markets and its impact on our output, jobs and inflation, and the discussion of privatization of social security in the U.S., makes it imperative upon us to understand the operation of these markets.

This course meets the **Writing Skills and Speaking Skills** requirements. The objective is for students to understand the process involved in writing and speaking. You must be able to construct clear and effective written and oral responses to specific issues and questions raised as you progress through your personal and professional life.

**Text Required:** Bodie, Kane and Marcus, Essentials of Investments  
6<sup>th</sup> Ed., 2007, Irwin McGraw Hill.

**Attendance:** Regular class attendance is required. A valid excuse for class absence must be provided, in advance, if possible.

### **Security Analysis Project:**

Pick one company and do an analysis of its stock using the principles discussed in the text and class discussions. Give the rationale for your

selection. Discuss the outlook for the company in view of the economic/industry outlook and do a complete financial analysis based on the most up-to-date data available.

Submit the name of the company chosen by **Friday, September 14, 2007**. The final report will be due on **Friday November 30, 2007**. The report should have a brief introduction, an analysis of the economy, an analysis of the industry, and then the financial analysis of your selected company. It should include your recommendation to buy or not buy the stock of the company (for a short-term investor as well as a long-term investor) based on the closing price of the stock on **Friday, November 23, 2007**. Please attach to your report copies of your basic sources of information.

**Portfolio Project:** You need to invest \$ 1 million in **at least five securities** for the trimester. **Your purchase prices are as of last Monday 9/10/07.** No margin or derivatives are allowed. Allow for 1% round trip commissions. Your initial report is **due on Saturday, September 15, 2007.** This report should include your selections, criteria for choosing the security, expected rate of return on a gross and net basis for a holding period from **Saturday 9/15/07 - Saturday 11/24/07** ( net of commissions and taxes - assume you are in a 27% marginal tax bracket). Also, provide the expected returns on a broad index that reflects the securities you have selected. You are allowed to make changes during the holding period, but you must provide a rationale for doing so and report at the time you make changes. **The Final report is due on Wednesday, November 28, 2007** and should include actual vs. expected returns on a gross/ net basis, an explanation for any divergence, and a table and a graphic chart of the movement of prices over the holding period along with the index selected.

**Current Events:** You will give a five minute presentation on a current topic in finance.

**Academic Honesty:** It is assumed that the student has read and understood the Augsburg College Academic Honesty Policy. The policy will be strictly enforced.

**Evaluation Criteria:** There will be three exams and a **Final Exam on Saturday, December 8.** In addition, there will be the two major projects will each have weight on the final grade as follows:

Quizzes (highest 5 @ 40 pts per quiz)	200
Current events presentation	15
Portfolio project	30
Security Analysis Project	60
Final Exam	100
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Total points	405

### **Grading Scale:**

Achieves the highest standards of excellence -	92% or more
3.5	87% - 91%
3.0 Achieves above basic course standards	82% - 86%
2.5	77% - 81%
2.0 Meets basic standards of the course	72% - 76%
1.5	67% - 71%
1.0 Performance below course standards	62% - 66%
0.5	57% - 61%
0.0 Unacceptable performance for course credit -	Below 57%

A minimum grade of C (2.0 or 72%) is required on the Skills component for you to pass the course. This will be evaluated as follows:

### **Writing Skills Component**

Security Analysis Paper Writing Component  
Portfolio Project Writing Component

### **Speaking Skills Component**

Security Analysis Paper Speaking Component  
Current Events Papers Presentations

### **Course Outline, Homework and Exam Schedule:**

Note: Changes/additional assignments may be made. For homework, look at the end-of-chapter questions and problems.

<b><u>Saturday</u></b>	<b><u>Topics</u></b>	<b><u>Problems</u></b>
8-Sep	Introductions Ch. 1 Investments: Background and Issues Ch. 2 Financial Securities Ch. 3 Securities Markets	3, 6-10 3, 9, 10, 13, 19
22-Sep	Ch. 4 Mutual Funds and Other Investment Companies Ch. 5 Risk and Return: Past and Prologue Ch. 6 Efficient Diversification <b>Quiz #1 (Chapters 1 thru 3) <u>Current Events Presentations</u></b>	4-8, 13-17 5, 9, 10, 14-17, 19 3, 4, 5, 6-10
6-Oct	Ch. 7 Capital Asset Pricing and Arbitrage Pricing Theory Ch. 8 Efficient Markets and the Behavioral Critique Ch. 9 Bond Prices and Yields <b>Quiz #2 (chapters 4 thru 6)</b>	2,3,5,7,19,28,29 17,22,23 9-14, 20-22, 24
20-Oct	Ch. 10 Managing Bond Portfolios Ch. 11 Macroeconomic and Industry Analysis Ch. 12 Equity Valuation <b>Quiz #3 (chapters 8 thru 10)</b>	1-3, 10, 17 1,2,6,7,10,11,13-16 5,6,8,10,17, 20-23
3-Nov	Ch. 13 Financial Statement Analysis Ch. 14 Options Markets	7,10-15 4-7,11

	Ch. 15 Option Valuation <b>Quiz #4 (chapters 10 thru 12)</b>	7,8,10
17-Nov	Ch. 16 Futures Markets Ch. 17 Performance Evaluation and Active Portfolio Management Ch. 18 Taxes, Inflation, and Investment Strategy <b>Quiz #5 (chapters 13 thru 15)</b>	3,4,8,9,13-16,18,24 4,6,10 TBD
1-Dec	Ch. 19 Behavioral Finance and Technical Analysis Ch. 20 Taxes, Inflation, and Investment Strategy Ch. 21 Investors and the Investment Process <b><u>Final Presentations (Security Analysis)</u></b>	1-3,5-13
8-Dec	k <b><u>Portfolio Paper Due</u></b> <b><u>Security Analysis Paper Due (12/1/06)</u></b> <b><u>Final Presentations (Security Analysis)</u></b> <b>Comprehensive Final Exam</b>	