

FINA 4310
SURVEY Of INVESTMENTS
Spring 2022

*I will be academically honest in all of my academic work
and will not tolerate academic dishonesty of others."*

UGA Student Honor Code
<http://www.uga.edu/honesty/>

Instructor: Johannes Kohler
Email: johannes.kohler@uga.edu
Office: B338 Amos Hall

Class Time: TR 9:35 – 10:50am Correll Hall 221
TR 11:10 – 12:25pm Correll Hall 221

Exam Times: Midterm 1: Thursday Feb 3 at 6-8pm in Orkin Hall D101
Midterm 2: Tuesday Mar 15 at 6-8pm in Orkin Hall D101
Midterm 3: Tuesday Apr 12 at 6-8pm in Orkin Hall D101

Final Exam: 9:35 class Thu, May 5 at 8-11am on eLC + Respondus
11:10 class Tue, May 10 at 12-3pm on eLC + Respondus

Office Hours: Mondays: 11:00am – 1:00pm **on Zoom**
Wednesdays: 2:00pm – 3:30pm in my **office**
Other times: by appointment

Contact: The best way to contact me is via e-mail to johannes.kohler@uga.edu. ***Do not email me from eLC as I will not receive email with the .usg extension!***. Be sure to state your name and class segment at the top of the email. I usually respond quickly.

COURSE DELIVERY

In Classroom - This class will be taught face-to-face. Student attendance will be an important factor in making the class work and for making it a success for everyone. Also, history shows that attendance and grades are highly correlated for this class in particular – over the years and across different instructors.

COURSE DESCRIPTION

An in-depth study of securities and the markets in which they trade. Students will analyze investor objectives and investment alternatives, capital market instruments, security pricing, risk, portfolio theory, portfolio management and options. As a hands-on learning tool, students will form teams of three to create and analyze an experimental investment portfolio.

PRE-REQUISITES

FINA 3000 or FINA 3000H or FINA 3000E: Financial Management

COURSE OBJECTIVES

To expose the student to an analytical treatment of investment theory. The course includes a study of equity and debt securities, the concepts of portfolio theory, risk and valuation and an examination of asset pricing models and their application to real data. Students will apply many of the course's key concepts within the setting of a trading simulation.

COURSE TOPICS OUTLINE (detail attached)

Macro factors, Securities Markets, Trading
Equity valuation
Risk and Portfolio Theory
Capital Asset Pricing Model (CAPM)
Fixed Income Securities
Investment companies
Options

REQUIRED COURSE MATERIALS

Text

Title: *Essentials of Investments*

The text is required for this course

Authors: Bodie, Kane, and Marcus

Edition: 11th (10th edition will be okay as well)

Copyright Year: 2017

Publisher: McGraw-Hill

ISBN: 978-1260013924

make sure you are not buying the MBA version of this book

StockTrak Portfolio Simulation Account

One account per team of 3.

Financial Calculator

Graphing or programmable calculators will not be allowed during exams.

Financial News

WSJ, Barron's, CNBC, Yahoo Finance, Bloomberg, The Economist, Financial Times etc.

Barron's log-in: https://partner.barrons.com/p/p_bie/enter-redemption-code/UOGT2rg5nd78

FactSet: https://advantage.factset.com/academic_idrequest

CapitalIQ: <https://www.capitaliq.com/CIQDotNet/Registration/signup.aspx>

GRADING

Exam I:	16.00%
Exam II:	16.00%
Exam III:	16.00%
Final Exam:	22.00%
Homework:	10.00%
StockTrak Project:	15.00%
Class Attendance:	5.00%

Exams: All exams will be multiple choice. You will be allowed to bring a non-programmable calculator¹ and a formula sheet².

The best way to study for exams is to review all examples and *Concept Check* problems throughout the chapters, the textbook assignments, homework sets and the vocabulary sets posted for each chapter. There will be no separate study guide. Exams will not be discussed in class nor handed back to the student, but students are welcome to review their exams during office hours. The Final exam will cover the main concepts from segments I-III (the cumulative portion) and the new material from segment IV, and will be split roughly 40/60 between those two. The Final exam will be administered online at the times given on page 1 of the syllabus.

¹ *Calculator Policy for Exams: Financial and scientific calculators are allowed on exams. Graphing- and programmable calculators are not needed and not allowed*

² *You are allowed a single, one-sided formula sheet.*

Textbook assignments: Most weeks, there will be an assignment of end-of chapter problems as preparation for the homework assignment and exams. Solutions to the problems will be provided and discussed upon request. These assignments are not graded but are designed to provide additional practice.

Homework: Numerous homework sets will be given during the semester. Homeworks are not graded on a scale; to calculate the final homework grade, I will divide the number of submitted sets with scores of at least 55% by the total number of sets given. These sets are primarily designed to give students practice.

StockTrak simulation: As part of this course, students will participate in a 12-week long portfolio simulation. Teams of (3) will create and analyze an investment portfolio and produce three written portfolio update reports. There will also be one individual assignment, a simple regression analysis, that will count toward your StockTrak grade. A detailed guideline for this project will be posted separately.

Your responsibilities:

This is a fast-paced course, and the material is challenging. The more concept-check problems, end-of-chapter assignments and homework problems you attempt on your own the better the prognosis for your grade! These sets of problems also serve as your study guide for all exams in this class. Homeworks will be reviewed by way of a recording that will be posted to eLC. Finally, I recommend that you read each chapter before we discuss it in class. Use the detailed class schedule as your guide.

Your final letter grade will be based on the following scale.

A (4.0): 93	B: (3.0): 83	C (2.0): 73
A- (3.7): 90	B- (2.7): 80	C- (1.7): 70
B+ (3.3): 87	C+ (2.3): 77	D (1.0): 60

ATTENDANCE POLICY

Class attendance is required and will be part of your final grade. If you do have to miss class, it is essential that you get the notes from another student before the next class. If you arrive late for class, be certain to enter quietly. Please make sure you sign the attendance sheet at the beginning of class.

EXAM MAKE-UP POLICY

There are no make-up exams for this class. If you must miss an exam, you will need to email me ahead of time, i.e. you must notify me before the day of the exam and provide documentation. The weight of the missed exam will be proportionally added to the remaining exams. You cannot miss more than one exam and you cannot miss the Final exam. *Please note that attending a sporting event or participating in an intramural event does not qualify.*

Spring 2022 COURSE CALENDAR (any changes will be announced in class and emailed)

Tue, Jan 11	First day of class
Fri, Jan 14	Last day for drop/add
Mon, Jan 24	<u>Start trading: StockTrak first trading day</u>
Thurs, Feb 3	Section I Exam (6:00pm – 8:00pm in Orkin D101)
Mon, Feb 15	Due date: StockTrak Report I
Tue, Mar 15	Section II Exam (6:00pm – 8:00pm in Orkin D101)
Mon, Mar 21	Due date: StockTrak Report II
Thurs, Mar 24	Withdrawal deadline
Tue, Apr 12	Section III Exam (6:00pm – 8:00pm in Orkin D101)
Fri, Apr 15	<u>Finish trading: StockTrak last trading day</u>
Mon, Apr 25	Due date: StockTrak Report III
Thurs, May 3	Last day of class

Final Exams: see top of the syllabus

REQUIRED STATEMENTS FOR SYLLABUS

(<https://curriculumsystems.uga.edu/curriculum/courses/syllabus/>)

UGA Student Honor Code:

"I will be academically honest in all of my academic work and will not tolerate academic dishonesty of others." A Culture of Honesty, the University's policy and procedures for handling cases of suspected dishonesty, can be found at www.uga.edu/ovpi.

Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.

My expectation with respect to what constitutes academic dishonesty is outlined in UGA's Academic Honesty Policy:

https://honesty.uga.edu/_resources/documents/academic_honesty_policy_2017.pdf

The course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

CORONAVIRUS INFORMATION FOR STUDENTS FOR Spring 2022 CLASSES

UGA adheres to guidance from the University System of Georgia and the recommendations from Georgia Department of Public Health (DPH) related to quarantine and isolation. Since this may be updated periodically, we encourage you to review the latest guidance [here](#). The following information is based on guidance last updated on December 29, 2021.

Face coverings:

Following guidance from the University System of Georgia, face coverings are recommended for all individuals while inside campus facilities.

How can I obtain the COVID-19 vaccine?

University Health Center is scheduling appointments for students through the UHC Patient Portal (https://patientportal.uhs.uga.edu/login_dualauthentication.aspx). Learn more here – <https://www.uhs.uga.edu/healthtopics/covid-vaccine>.

The Georgia Department of Health, pharmacy chains and local providers also offer the COVID-19 vaccine at no cost to you. To find a COVID-19 vaccination location near you, please go to: <https://georgia.gov/covid-vaccine>.

In addition, the University System of Georgia has made COVID-19 vaccines available at 15 campuses statewide and you can locate one here: <https://www.usg.edu/vaccination>

What do I do if I have COVID-19 symptoms?

Students showing COVID-19 symptoms should self-isolate and get tested. You can schedule an appointment with the University Health Center by calling 706-542-1162 (Monday-Friday, 8 a.m.-5p.m.). Please DO NOT walk-in. For emergencies and after-hours care, see <https://www.uhs.uga.edu/info/emergencies>.

What do I do if I test positive for COVID-19? (Isolation guidance)

If you test positive for COVID-19 at any time, either through a PCR test, an Antigen test, or a home test kit, you are **required to report it** through the [DawgCheck Test Reporting Survey](#). Follow the instructions provided to you when you report your positive test result in DawgCheck.

As of December 29, 2021, when an individual receive a positive COVID-19 test: Everyone, **regardless of vaccination status**, should:

- Stay home for 5 days.
- If you have symptoms or your symptoms are resolving after 5 days, you can leave your house and return to class.
- Continue to wear a mask around others for 5 additional days.

What do I do if I have been exposed to COVID-19? (Quarantine guidance)

If you have been exposed (within 6 feet for a cumulative total of 15 minutes or more over a 24-hour period – unmasked**) to someone with COVID-19 or to someone with a positive COVID-19 test and you are:

- Boosted, or have become fully vaccinated within the last 6 months (Moderna or Pfizer vaccine) or within the last 2 months (J&J vaccine)
 - You do not need to quarantine at home and may come to class.
 - You should wear a mask around others for 10 days.
 - If possible, get tested on day 5.
 - If you develop symptoms, get tested and isolate at home until test results are received, then proceed in accordance with the test results.
- Unvaccinated, or became fully vaccinated more than 6 months ago (Moderna or Pfizer vaccine) or more than 2 months ago (J&J vaccine) and have not received a booster:
 - You must quarantine at home for 5 days. After that you may return to class but continue to wear a mask around others for 5 additional days.
 - If possible, get tested on day 5.
 - If you develop symptoms, get tested and isolate at home until test results are received, then proceed in accordance with the test results.

** “Masked-to-masked” encounters are not currently considered an exposure; this type of interaction would not warrant quarantine.

You should report the need to quarantine on [DawgCheck \(https://dawgcheck.uga.edu/\)](https://dawgcheck.uga.edu/), and communicate directly with your faculty to coordinate your coursework while in quarantine. If you need additional help, reach out to Student Care and Outreach (sco@uga.edu) for assistance.

Well-being, mental health, and student support

If you or someone you know needs assistance, you are encouraged to contact Student Care & Outreach in the Division of Student Affairs at 706-542-7774 or visit <https://sco.uga.edu/>. They will help you navigate any difficult circumstances you may be facing by connecting you with the appropriate resources or services. UGA has several resources to support your well-being and mental health: <https://well-being.uga.edu/>

Counseling and Psychiatric Services (CAPS) is your go-to, on-campus resource for emotional, social and behavioral-health support: <https://caps.uga.edu/>, TAO Online Support (<https://caps.uga.edu/tao/>), 24/7 support at 706-542-2273. For crisis support: <https://healthcenter.uga.edu/emergencies/>.

The University Health Center offers FREE workshops, classes, mentoring and health coaching led by licensed clinicians or health educators: <https://healthcenter.uga.edu/bewelluga/>

Monitoring conditions:

Note that the guidance referenced in this syllabus is subject to change based on recommendations from the Georgia Department of Public Health, the University System of Georgia, or the Governor's Office. For the latest on UGA policy, you can visit coronavirus.uga.edu.

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The University Health Center offers FREE workshops, classes, mentoring and health coaching led by licensed clinicians or health educators: <https://healthcenter.uga.edu/bewelluga/>

Detailed Course Outline

Sec	Topic	BKM
I.	Introduction <ul style="list-style-type: none"> - Real v. Financial Assets - Agency Problems in the management of real assets - The Players in Financial Markets - Commercial v. Investment Banking 	Ch 1.1 Ch 1.3 Ch 1.6 "
	Economic and Equity Market Analysis <ul style="list-style-type: none"> - Fiscal and Monetary Policy - The Money Market, interest rates and foreign exchange rates - Economic indicators and Business Cycles - Industry Analysis (Competitive landscape) - Sector Rotation - Industry Life Cycle 	Ch 12
	Securities Markets and Trading <ul style="list-style-type: none"> - Private vs. Public new-issue market - Bookbuilding - Initial Public Offerings (IPOs) and the IPO process - Primary vs. Secondary market - Trading in the secondary market – order types - Stock exchanges Trading Costs Buying on Margin Short Selling Regulation of Securities market	Ch 3
	Start: StockTrak trading (Monday, January 24)	
	Equity Securities Indexing <ul style="list-style-type: none"> - Price-, Value and Equal-weighted Indexes 	Ch 2.3 Ch 2.4
	Equity Valuation Intrinsic Valuation <ul style="list-style-type: none"> - Dividend Discount Model (DDM) - Constant-Growth DDM - DDM applications Comparable Valuation <ul style="list-style-type: none"> - The P/E ratio - Valuing Growth Opportunities - P/E and stock risk - Combining P/E with DDM - PEG ratio - Pitfalls - Other valuation ratios Value investing Valuing the Aggregate Stock Market <ul style="list-style-type: none"> - P/E ratio and Earnings Yield 	Ch 13
	Section I. Exam (Tue, Feb 3)	

	<ul style="list-style-type: none"> - Interpreting (explaining) anomalies Do professional investors outperform? <ul style="list-style-type: none"> - Analysts - Actively managed mutual funds Behavioral Critique	Ch 9.1
	Section II. Exam (Thurs, Mar 15)	
III.	Debt Securities The Money Market <ul style="list-style-type: none"> - T-Bills - Other Money Market Instruments The Bond Market <ul style="list-style-type: none"> - Treasury-, Corporate- and Municipal bonds Debt Securities Types of bonds and their features Bond pricing <ul style="list-style-type: none"> - Bond yields - Bond holding-period returns Bond prices over time Default risk The yield-curve <ul style="list-style-type: none"> - Forward interest rates - Liquidity premium - Interpretation 	Ch 2.1 " " Ch 2.2 " Ch 10
	Managing Bond Portfolios Interest rate risk Duration Passive bond management <ul style="list-style-type: none"> - Immunization - Cash flow matching and dedication Convexity	Ch 11
	Section III. Exam (Tue, Apr 12)	
IV	Mutual Funds Types of funds Costs of investing in Mutual funds Taxation of Mutual funds ETFs Investment performance	Ch 4
	Hedge Funds Hedge Funds vs. Mutual Funds Hedge Fund Strategies <ul style="list-style-type: none"> - Directional vs. Non-directional Style analysis for Hedge Funds <ul style="list-style-type: none"> - Factor loadings Performance measurement <ul style="list-style-type: none"> - Non-liquid asset return premium - Tail events Hedge Fund fee structure	Ch 20

	Performance Measurement By comparing different average return measures <ul style="list-style-type: none"> - Arithmetic vs. geometric average return By comparing Portfolio return vs. Benchmark return <ul style="list-style-type: none"> - Over-/underperformance versus the benchmark - Arithmetic and geometric over-/under By comparing ratios that take Risk into account <ul style="list-style-type: none"> - Sharpe ratio - Treynor measure - Jensen's alpha (vs. simple alpha) - Information ratio (arithmetic and theoretical) - M^2 Portfolio attribution analysis <ul style="list-style-type: none"> - Sector allocation - Security selection 	Ch 18 and notes
	End: StockTrak trading (Fri Apr 15)	
	Option Markets Option types and terminology Option payoffs <ul style="list-style-type: none"> - Long/short Calls, Long/short Puts Intrinsic value vs. time value (ch. 16.1) Option strategies <ul style="list-style-type: none"> - <u>Covered</u>: Protective put, covered call, collars (zero-cost collar), vertical spreads, horizontal spreads - <u>Non-covered</u>: Naked Put, naked call, Straddles Synthetic long stock Securities with embedded options <ul style="list-style-type: none"> - Callable bonds - Convertible bonds Exotic Options	Ch 15
	Option Valuation <ul style="list-style-type: none"> - Determinants of option value Put-Call Parity The Delta of an option Implied volatility The VIX index	