

**Course Syllabus—Spring 2000**  
***Finance 4820: Seminar in Investment Management***

**Course Instructor: Russ Wermers**

Background: MBA Finance, UCLA  
 PhD Finance, UCLA  
 Specialize in Mutual Fund Research (Several recent articles on mutual funds in top finance journals)

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 Office Hours: Monday and Wednesday, 11-12 a.m. and 3:30-4:30 p.m. (in Room 473)  
 Also, by appointment

**Teaching Assistant: Jennifer Phillips**

Background: One of the very best students from last year's investments classes!  
 E-Mail Address: [phillijl@ucsu.colorado.edu](mailto:phillijl@ucsu.colorado.edu)  
 Office Hours: Tuesday and Thursday, 3:30 – 5 p.m. (Business 141)  
 Also, by appointment

**Course Objectives:**

1. To prepare you for a career in investment management and analysis—the “buy side” of markets—by providing you with advanced training in stock and bond market analysis
2. To provide a great start in preparing to take the CFA Level I examination, which is the main certification for buy-side professionals—this exam is administered in June of every year by the AIMR

**Final Grade Weighting:**

KTLK AM 760 Trading Game (Class Project)	20 %
Exams (Best 2 out of 3)	50 %
Homework	10 %
Stock Analysis Cases (Class Presentation)	20 %

**Textbooks:** Fabozzi, *Bond Markets, Analysis and Strategies*. Prentice-Hall, 4<sup>th</sup> edition, c2000.  
 Reilly and Brown (RB), *Investment Analysis and Portfolio Management*. Dryden, 6<sup>th</sup> edition, c2000.  
 Course packet (pick up from UMC Bookstore).

**Other optional books of interest:**

Siegel, *Stocks for the Long Run*. Irwin, 2<sup>nd</sup> edition, c1998.  
*The Cartoon Guide to Statistics*, by Larry Gonick  
 and Woollcott Smith.  
*Liar's Poker*, by Michael Lewis.  
*The Intelligent Investor*, by Benjamin Graham

**Web page:** This page is a major conduit of information and class outlines from me to you. Many students like to print the **powerpoint slides** before class to reduce note-taking. Therefore, slides will generally be available the week before class (unless I am revising them at the last minute!). If you have any suggestions about how to improve the class homepage, please let me know. The homepage for the class is:

<http://www-bus.colorado.edu/faculty/wermers/ftpsite/fnce4820/main.htm>

Class

E-mail list:

Here's another thing not to be missed! During your first visit to the homepage for the class (see the section labeled "Web page" above), you should sign up for the e-mail list for the class. The instructions are on the class homepage. Signing up is crucial, as I send out a lot of messages during the semester. Stuff sent out includes (1) stuff I forgot to say in class, (2) notice of class cancellation (if any) due to snowstorms, etc., and perhaps even (3) hints on what to study for the tests. Enough said—do not fail to sign up as soon as possible!

Homework:

There's lots of it! You can't learn about the behavior of bonds or stocks without working out the mathematics. Homework will be collected, and you will receive full credit if the homework is submitted on time and with a solid attempt on every problem. Late homework or incomplete homework receives half-credit.

***BEWARE!*** *Your performance on exams will depend on you faithfully attending class and keeping abreast of the reading and homework assignments!!! Enough said.*

Cases:

Here is one other area where this course will depart from the regular FNCE 4030 (Investments) class. We will study two actual stock analysis cases that are taken directly from the equity research groups of Goldman Sachs and Salomon Smith Barney. They are written by professional stock analysts; your job will be to study these cases, in depth, and make a short presentation in class (a "road show") where you argue for whether or not you think these stocks are a good investment. No written report is required, so the quality of your analysis should be made clear in the class presentation. More on this later.

Trading Game:

KTLK AM 760 Talk Radio is sponsoring a stock trading competition between the University of Colorado at Boulder, Colorado State University, Metropolitan State College of Denver, Regis University, the University of Denver, and the University of Northern Colorado. The persons in this course will be the team representing CU-Boulder, and I am your faculty advisor. This game involves occasional appearances on the radio station, as well as a substantial prize to the scholarship fund of the winning school. In addition, the team of the winning school will receive a trophy and recognition at "Financial Fest" after the game is over. The game starts January 24 and ends April 28. My team's objective is, first, to WIN!, and second, to do some very sophisticated analysis in winning. If we win, I'll pay for a small get-together or party of some kind at a place like the Walnut Brewery. More details are given in a separate handout. **Although this is a class project, I reserve the right to give higher or lower grades to individuals that contribute more or less, respectively, to the class effort.**

Exams:

**THESE ARE HELD ON TUESDAYS AT 5:00 P.M.** (this was the only time that a room could be found to give a common exam). This exam will cover material related to the coverage in class and homework assignments since the last exam was given. The best preparation is to attend all classes, to do all the reading and homework assignments with care, and to practice with the practice exams from prior years that can be found in the reading packet for the course.

**Please note:** There will be no makeup exams, but only your best two out of three exams will be counted. If you have an official university conflict on Tuesdays at 5:00 p.m., then please notify me the week before the exam. An early exam will be arranged for you.

Scantron sheets will be provided for each exam. Please bring a #2 pencil and your financial calculator—at least able to calculate powers, natural logarithms, and the "e" function.

**All exams are strictly closed book and closed notes, and a strict time limit of 60 minutes is enforced—generally, well-prepared students finish in 45 minutes, so be well-prepared!**

**Please also note: Be on time for the exams, as you may not get extra time if you show up late!**

**Exam Rooms:    At 5:00 P.M. sharp! (there is no regular class meeting on the Wednesday following each Tuesday evening exam):**

**Exam 1:** Tuesday, February 22, 2000:            Muenzinger Psychology, Room E050  
**Exam 2:** Tuesday, March 21, 2000:                [Same as above]  
**Exam 3:** Tuesday, April 25, 2000:                [Same as above]

<b><u>Week:Date</u></b>	<b><u>Topic</u></b>	<b><u>Reading Assignment</u></b>	<b><u>Homework</u></b>
1:Jan. 17	<b>Martin Luther King, Jr. Day (Monday)</b> Review of Interest-Rate Conversions Introduction	<b>No class session on Monday</b> Handout Fabozzi, Ch. 1	Reading Packet Problems <i>Ch 1: 1-19</i> <i>Sign up on e-mail list!!!</i> <i>Class Pictures!</i>
2:Jan. 24	Review of Interest-Rate Conversions Pricing of Bonds  <b>Formation of Investment Company for KTLK Competition</b> <b>KTLK Competition begins!</b>	Handout Fabozzi, Ch. 2	Reading Packet Problems <i>Ch 2: "Even" Problems</i> <i>plus 7,11</i>
3:Jan. 31	Measuring Yield <b>Continue Work on Setting Strategy for KTLK Competition</b>	Fabozzi, Ch. 3	<i>Ch 3: "Odd" Problems</i>
4:Feb. 7	Treasury and Agency Securities Markets	Fabozzi, Ch. 6	<i>Ch 6: 1,3,4,5,6,7, 10,11,14</i>
5:Feb. 14	Factors Affecting Bond Yields and the Term Structure of Interest Rates	Fabozzi, Ch. 5	<i>Ch 5: "Odd" Problems</i>
----- <b>EXAM # 1 COVERAGE ENDS HERE</b> -----			
6:Feb. 21	<i>Exam 1 (Tuesday, 5:00 pm): Mat'l &amp; HW from Weeks 1-5</i>		
	Asset-Backed Securities	Fabozzi, Ch. 13	<i>Ch 13: 1-12</i>
7:Feb. 28	Non-U.S. Bonds Bond Price Volatility	Fabozzi, Ch. 9 Fabozzi, Ch. 4	<i>Ch 9: 1-11(all)</i> <i>Ch 4: 2-9, 11, 14</i>
8:Mar. 6	Municipal Securities	Fabozzi, Ch. 8	<i>Ch 8: 1-5, 7, 8, 10, 11, 14-20</i>
9:Mar. 13	Interest-Rate Swaps and Agreements	Fabozzi, Ch. 23	<i>Ch 23: 1,3,4,6,8,9,10,12</i>
----- <b>EXAM # 2 COVERAGE ENDS HERE</b> -----			

<u>Week:Date</u>	<u>Topic</u>	<u>Reading Assignment</u>	<u>Homework</u>
10:Mar. 20	<i>Exam 2 (Tuesday, 5:00 pm): Mat'l &amp; HW from Weeks 6-9</i>		
	The Investment Setting	RB, Ch. 1	<i>Ch 1:</i>
	Asset Allocation	RB, Ch. 2	<i>Ch 2:</i>
Mar. 27	<b>Spring Break--No Classes</b>		
11:Apr. 3	Security-Market Indicator Series	RB, Ch. 5	<i>Ch 5:</i>
	Efficient Capital Markets	RB, Ch. 7	<i>Ch 7:</i>
12:Apr. 10	<b><u>Course Packet Note: Introduction to Portfolio Theory (do not write a report on this)</u></b>		
	An Introduction to Portfolio Management	RB, Ch. 8	Problems 1-6 of the note <i>Ch 8:</i>
	An Introduction to Asset Pricing Models	RB, Ch. 9	<i>Ch 9:</i>
13:Apr. 17	<b><u>Guest Speakers from Janus Funds during this week and next week (to be announced)</u></b> <i>(ATTENDANCE WILL BE TAKEN!)</i>		
	<b><u>Case 1: Global Airlines</u></b> <i>ABC Nightline Video: "What goes up..."</i>		
----- <b>EXAM # 3 COVERAGE ENDS HERE</b> -----			
14:Apr. 24	Analysis of Financial Statements	RB, Ch. 12	<i>Ch 12:</i>
	An Introduction to Security Valuation	RB, Ch. 13	<i>Ch 13:</i>
	<i>Exam 3 (Tuesday, 5:00 pm): Mat'l &amp; HW from Weeks 10-13</i>		
15:May 1	<b><u>Case 2: ADVO, Inc.</u></b>		