FIN 6515 - Investments
(Fall 2009)

Fall 2009
Prof. Chuck Schnitzlein
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This course is an introduction to the field of investments. Topics covered will include a survey of the types of financial instruments, the study of how they are bought and sold, and an introduction to how they are valued in the marketplace. Valuation topics will include an introduction to the pricing of options and futures contracts, the basics of portfolio theory, and simple models of asset pricing.

I will emphasize issues relating to *market efficiency* (do asset prices accurately reflect public information), and the valuation of derivative securities. The former is important because it is an extremely useful organizing paradigm. The latter is important because the absence of arbitrage principle on which option pricing theory is based provides the framework for modern finance. I will not stress *fundamental analysis* (using forecasts of earnings and interest rates to determine company valuations). I will focus on the fundamental concepts underlying the management and analysis of investments in a portfolio context.

Grading and other Course Policies

There will be at least one quiz each week, an exam on October 12, and a final project. The final project will be due and discussed during the scheduled final exam on December 14 at 7pm. **If you are not able to attend class, early or late make-up quizzes will not be given, however I will drop your 2 lowest quiz grades from your quiz average. There will be no exceptions to this policy.** I also will not provide information on the topic of each week's quiz, beyond that given to the class the previous week. Please do not contact me by phone or email seeking "hints."

There will also be 4 group projects that will be evenly spaced throughout the semester. Group projects can be completed in groups of up to 4 people, but each group member must sign a statement indicating that he/she contributed in a significant way to the completion of each project. One project should be handed in for each group. All group members receive the same grade on each project.

	Contribution to Final Grade
Quizzes	25%
Exam (October 12)	25%
Group Projects	30%
Final Project	20%

End-of-chapter problems will be assigned periodically. You will not be required to hand them in, but they will provide useful preparation for the quizzes. The **solutions manual** to the end-of-chapter problems is available at the bookstore and online.

Academic Integrity: Students in this class will be held to the standards of academic integrity established by UCF. **Remember, cheating is not only obtaining illicit assistance from another source or person, but also illicitly assisting another person on a graded assignment.**

Course Materials

The text for the course is Bodie, Kane, and Marcus, *Investments*, (8th edition). In addition, the solutions manual to the end-of-chapter problems is recommended. A daily reading of the Wall Street Journal is highly recommended and occasional articles from the WSJ and the business press will be assigned.

I have developed over 300 PowerPoint slides that I will use during lectures. The slides will be available for download from my website at www.bus.ucf.edu/cschnitzlein/.

Course Outline

TOPIC	READINGS
I. Introduction	
1. The Field of Investments	Chapter 1
	Roll, Richard, "What Every CFO Should Know About Progress in Financial Economics," *Financial Management*, Summer 1994, 69-75.
2. The Basics of Financial Instruments and Markets	Chapters 2,3
Project 1	
3. Mutual Funds and Hedge Funds	Chapter 4
II. Options and Futures	
4. Options Markets	Chapter 20
5. Option Valuation	Chapter 21
Project 2	
6. Futures Markets	Chapter 22

	Kulatilika, Nalin, and Alan J. Marcus, “Valuing Employee Stock Options,” Financial Analysts Journal, Winter 1994, 46-56.

III. An Introduction to Portfolio Theory

7. Risk, Risk Premiums, and the Historical Record	Chapter 5
	Samuelson, Paul A., "The Long-Term Case for Equities," *The Journal of Portfolio Management* Fall 1994, 15-24.
8. Risk Aversion and Capital Allocation To Risky Assets	Chapter 6
9. Optimal Portfolios	Chapter 7
Project 3	
10. Index Models	Chapter 8

IV. Equilibrium in Capital Markets

11. The CAPM	Chapter 9 (Topics) Perold, Andre F, “The Capital Asset Pricing Model,” *The Journal of Economic Perspectives*, Summer 2004.
12. Multifactor Models Project 4	Chapter 10
13. Market Efficiency, Behavioral Finance, and Technical Analysis	Chapters 11, 12 (topics), and 13 (topics)
	Whaley, Robert E., “Return and Risk of CBOE Buy Write Monthly Index,” The Journal of Derivatives Winter 2002, Vol. 10, No. 2: 35-42
Final Project	