
Investments - BUSI 580

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Course Information

- Location:** Section 001 meets Tuesdays & Thursdays 8:00 a.m. – 9:15 a.m. in McColl 3000
Section 002 meets Tuesdays & Thursdays 11:00 a.m. – 12:15 p.m. in McColl 3550
- Webpage:** Blackboard at <http://blackboard.unc.edu/>
- Office Hours:** Tuesdays & Thursdays 9:45 a.m. – 10:45 a.m. at McColl 4218. If you cannot make regular office hours, email me and we can schedule an appointment.
- Textbook:** *Essentials of Investments* by Zvi Bodie, Alex Kane and Alan J. Marcus, 7th edition (abbreviated BKM). Please note that I will not follow BKM verbatim. Some topics in BKM I will not cover and other topics I will cover in more detail.

Course Description and Expectations

What we do: The main objective is to expose students to the fundamental concepts of investment theory and financial markets. This course will be highly quantitative and include topics like arbitrage, portfolio selection, the Capital Asset Pricing Model, fixed income securities, and option pricing. An overview of financial instruments, securities markets and trading is also presented. The course is theoretical, but whenever possible, I try to discuss the implementation in practice of the theory presented.

What we don't do: We do not cover the fine art of stock picking or tell you foolproof ways to make money in the stock market. The detailed analysis of individual companies and their balance sheets lies outside the scope of this course.

What you can expect from me: I will come to class on time and prepared. I will post my lecture slides at least 1 day before the lecture. Every homework and exam I will grade within 1 week and I will respond to any email or phone call within 2 days.

What I expect from you: I expect you to have a calculator that you know how to use and to be comfortable with statistics, calculus and microeconomics. I expect you to attend class every day (unless you inform me of an emergency) and come prepared to discuss the material. I expect you to respect the learning environment of your classmates. This means (1) be on time and stay for the entire lecture, (2) turn off your cell phones before each lecture and (3) participate in classroom discussions and refrain from non-class related activities (chatting with a neighbor, working on other classwork, etc).

Grading

Problem Sets: There will be at least 5 problem sets distributed throughout the semester. They will be posted on Blackboard on Tuesday or Thursday and will be due the following Tuesday or Thursday in class. Problem sets may be done in groups with a maximum of four per group. Each problem set will be given a maximum point score of 4. I will count your 5 best problem sets so that your combined score will be a maximum of 20 points (10% of your final grade).

Participation: At the end of the semester I will assign a maximum of 10 points (5% of your final grade) for class participation. You will be evaluated based on your attendance and your regular participation in class discussions.

Exams: There will be one midterm exam and one final exam. The midterm exam will be held during class on **Tuesday , October 14th**. Following the Fall 2008 Final Examination Schedule, the final exam will be held **Saturday, December 6th at 8 a.m. for Section 001 and Thursday, December 11th at 8 a.m. for Section 002**. The midterm exam will be worth 70 points (35% of your final grade) and the final exam will be worth 100 points (50% of your final grade). The final exam will be comprehensive. *You will have the option to drop your midterm score if you perform better on the final (see below).*

As a strict rule, there are no make-up exams unless you talk to me **prior** to the exam and only in the case of emergencies. It is your responsibility to schedule the rest of your activities such that you are able to attend the exams.

Final Grade: Participation + Problem Sets + Max(Midterm + Final, 1.70 * Final) = 200 total pts

Honor Code: The University of North Carolina at Chapel Hill has had a student-administered honor system and judicial system for over 100 years. The system is the responsibility of students and is regulated and governed by them, but faculty share the responsibility. If you have questions about your responsibility under the honor code, please bring them to me or consult with the office of the Dean of Students or the Instrument of Student Judicial Governance. This document, adopted by the Chancellor, the Faculty Council, and the Student Congress, contains all policies and procedures pertaining to the student honor system. Your full participation and observance of the honor code is expected.

Sanctions for Academic Misconduct: **The “usual” sanction for instances of academic dishonesty is an “F” in the course (or assignment) and suspension for one full academic semester.** Please note that for international students, this may result in the loss of your student visa status, requiring you to leave the U.S. until your suspension is over.

You can find the entire Honor Code here: <http://instrument.unc.edu/>

Students with Disabilities

Students whose class performance may be affected due to a disability should notify me immediately so that arrangements can be made with the Department of Disability Services (<http://disabilityservices.unc.edu/>).

Very Tentative Course Outline

Class	Topic
August 19 th	Introduction
August 21 st	Risk/Return Analysis and the Capital Allocation Line (BKM 5, 3.6, 3.7)
August 26 th	
August 28 st	
September 2 nd	Mean-Variance Efficiency and Optimal Portfolio Allocation (BKM 6)
September 4 th	
September 9 nd	
September 11 th	CAPM, APT and the Fama-French 3 Factor Model (BKM 7)
September 16 nd	
September 18 th	
September 23 nd	Mutual Funds and Performance Evaluation (BKM 4, 18)
September 25 th	
September 30 nd	Market Efficiency, Behavioral Finance and Limits to Arbitrage (BKM 8, 9)
October 2 th	
October 7 th	Slack
October 9 th	Review for Midterm
October 14 th	Midterm
October 16 th	NO CLASS – FALL BREAK
October 21 st	Debt Securities (BKM 2.1, 2.2, 10, 11)
October 23 th	
October 28 st	
October 30 th	Equity Securities (BKM 2.3, 2.4, 3.2, 3.3, 13, 14)
November 4 th	
November 6 th	
November 11 th	
November 13 th	Options and Futures (BKM 15, 16, 17)
November 18 th	
November 20 th	
November 25 th	Slack
November 27 th	NO CLASS – THANKSGIVING BREAK
December 2 nd	Review for Final