

Course Syllabus—Spring 2000
Finance 4030: Investments

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)

Classroom: Business 125

Office: Business 473

Office Phone: 1-303-492-0890

E-Mail Address: wermers@colorado.edu

WWW Address: <http://www-bus.colorado.edu/faculty/wermers/ftpsite/fnce4330/main.htm>

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

Office Hours: Tuesday and Thursday, 3:30 – 5 p.m. (Business 141)
 Also, by appointment

Course Objectives:

1. To give you marketable skills in investments. You should leave the class with better analytical skills than most new analysts at Wall Street fixed-income desks
2. To introduce you to various instruments available in financial markets, especially fixed-income markets
3. To improve your understanding of stock markets and the historical performance of stocks vs. other classes of investments
4. To improve your skills in thinking about finance problems (i.e., the mathematics of finance, the risk-return relation, yields, etc.)

Final Grade Weighting:

Homework	10 %
Trading Game	
(Presentation and Report)	30 %
Exams (Best 2 out of 3)	50 %
Special Events	10 %

Textbooks: Fabozzi, *Bond Markets, Analysis and Strategies*. Prentice-Hall, 4th edition, c2000.
 Siegel, *Stocks for the Long Run*. Irwin, 2nd edition, c1998.
 Course packet (pick up from UMC Bookstore).

Other optional books of interest: *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/fnce4330/main.htm>

Special Events

There are a few things that you must do to get this credit. They include:

1. Sign up for the class e-mail list (see next section for directions)
2. Get your picture taken for the class roster
3. Form a group of **four or five** students for the trading game
4. Prepare for and attend any special talks by Janus fund managers or others (I expect there will be two or three of these during the semester). I will hand out any material that I expect you to study to prepare for these talks. Active participation in these talks (good questions, etc.) will be noticed!
5. I reserve the right to add things to this special events list—however, you will always have adequate time to plan for these

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.*

Trading Game:

Jennifer Phillips, our teaching assistant, will be in charge of the trading game. We will "play" a realistic investments trading game, probably the Stocktrak game available on the web. This portion of your grade will be based on a class presentation and report at the end of the game. Please see some sample reports by going to the class homepage and choosing the "articles" link (these will be available later in the semester). Your report does not have to follow this format or style, but should be of roughly the same quality to achieve a high grade. Trophies will be awarded in two categories at the end of the semester: (1) top traders, and (2) top analysts. The top traders are those three groups finishing with the most money, while the top analysts are those three groups with the most well thought-out strategies, along with the best presentations and written reports. The top trading trophies are awards with no grade implications (since luck plays a big part of this), while the top analyst trophies are awards with a major grade implication. Jennifer Phillips will supply further instructions on the trading game early in the semester.

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]

Final Exam: During the final exam week, students will submit their formal, written trading game reports.

<u>Week:</u> <u>Date</u>	<u>Topic</u>	<u>Reading Assignment</u>	<u>Homework</u>
1:Jan. 17	Martin Luther King, Jr. Day (Monday) No class session on Monday Review of Interest-Rate Conversions Introduction	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	Handout Fabozzi, Ch. 2	Reading Packet Problems <i>Ch 2: "Even" Problems</i> <i>plus 7,11</i>
3:Jan. 31	Measuring Yield Trading Game Group Signups (Wednesday)—Work on Trading Game Strategies	Fabozzi, Ch. 3	<i>Ch 3: "Odd" Problems</i>
4:Feb. 7	Treasury and Agency Securities Markets Trading Game Strategy Meetings with Professor Wermers and Jennifer Phillips	Fabozzi, Ch. 6	<i>Ch 6: 1,3,4,5,6,7,</i> <i>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>
----- EXAM #1 COVERAGE ENDS HERE -----			
6:Feb. 21	<i>Exam 1 (Tuesday, 5:00 pm): Mat'l & HW from Weeks 1-5</i>		
	Asset-Backed Securities Trading Game Begins	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,</i> <i>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>
----- EXAM #2 COVERAGE ENDS HERE -----			

<u>Week:Date</u>	<u>Topic</u>	<u>Reading Assignment</u>	<u>Homework</u>
10:Mar. 20	<div>Exam 2 (Tuesday, 5:00 pm): Mat'l & HW from Weeks 6-9</div>		
	Stock and Bond Returns Since 1802	Siegel, Ch. 1	No homework
	Risk, Return, and the Coming Age Wave	Siegel, Ch. 2	
Mar. 27	Spring Break--No Classes		
11:Apr. 3	Perspectives on Stocks as Investments	Siegel, Ch. 3	
	Stocks, Stock Averages, and the Dow Strategy	Siegel, Ch. 4	
	Dividends, Earnings, and Investor Sentiment	Siegel, Ch. 5	
	Large Stocks, Small Stocks, Value Stocks, Growth Stocks	Siegel, Ch. 6	
12:Apr. 10	<u>Course Packet Note: Introduction to Portfolio Theory (do not write a report on this)</u>		
	The Nifty Fifty Revisited	Siegel, Ch. 7	Problems 1-6 of the note
	Taxes and Stock Returns	Siegel, Ch. 8	
13:Apr. 17	<u>Guest Speakers from Janus Funds during this week and next week (to be announced)</u> <i>(ATTENDANCE WILL BE TAKEN!)</i>		
	World Events Which Impact Financial Markets	Siegel, Ch. 13	
	Technical Analysis and Investing with the Trend	Siegel, Ch. 17	
	Calendar Anomalies	Siegel, Ch. 18	
	ABC Nightline Video: "What goes up..."		
	Trading Game Ends		
----- EXAM # 3 COVERAGE ENDS HERE -----			
14:Apr. 24	<div>Exam 3 (Tuesday, 5:00 pm): Mat'l & HW from Weeks 10-13</div>		
15:May 1	Trading Game Group Presentations		
	Presentation of Trading Trophy Awards (Analyst Trophies will be Awarded During Finals)		
	Trading Game Reports Due on Monday, May 8		