
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
FIN 533, Section 1 Spring 2005
4:00 – 5:15 Tuesday and Thursday, Conner 113

Dr. B. Van Ness
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Office hours: 2:00 – 4:00 T Th, or by appointment
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Goals and Objectives: The analysis and valuation of securities and the management of investment portfolios. Students will study the impact of economic factors and security markets upon security value.

Course Materials and expectations:

The **required textbooks** for this course:

Equity Valuation & Analysis with eVal, Lundholm and Sloan © 2004 by The McGraw-Hill Companies, Inc.

Finance Security Analysis & Portfolio Analysis © 2005 by The McGraw-Hill Companies, Inc.

Supplemental materials will be placed on reserve in the library and/or recommended in class.

You are expected to stay current with financial news. The best way to do this is to read the Wall Street Journal regularly, and track financial news on the web.

Our class will be managing the portfolio for the Student Investment Challenge sponsored by Sterne, Agee, and Leach, Inc. You are expected to participate in as well as provide useful input for the decision making process.

This course is a senior level course and consequently, I expect a high level of professionalism in your work. As a result, failing to turn in work on time will result in a grade of zero for that part of the course. You should take great care to back up your work and allow time to get the needed work done. Poor grammar, typos, etc will also result in significant grade penalties.

Prerequisites:

C minimum in FIN 331, and completion of FIN 334 and ACCY 301.

Student Teams

A portion of the course work will be completed in student teams. The teams are much like sub-groups of an investment management firm with responsibilities for particular stocks or segments of the overall portfolio. An important element of the course is the team's ability to deliver timely, accurate and professional investment advice to the class.

Check for news on your group's assigned stock(s) prior to class each meeting.

Exams

There will be three mid-term exams and a cumulative final. Anything covered in class, in the assigned reading material, or the recent financial news is fair game.

There will be *no make-up exams*. It is your responsibility to attend all exams at the scheduled time. The exam portion of your grade is calculated on a best 3-out-of-4 basis. If an exam is missed – whether due to an emergency, tragedy, or simply because you are unprepared – then the remaining three test scores will be used to compute your exam portion of the class grade. Please do not ask to be granted an exception since ***there are no exceptions to this policy***.

Grading

Grades will be based on three mid-semester exams, homework and project scores, and a cumulative final exam. The grade will be calculated as follows:

Exams:	75% (the best 3-out-of-4 exam grades will count 25% each)
Homework:	10% (the best 5-out-of-6 homework scores)
Project:*	15%

Grade	Weighted Average
A	90-100
B	80-89
C	70-79
D	60-69
F	below 60

* *Equity valuation report and presentation—this is a group project.*

Peer Evaluation

At the end of the semester each team member will provide me with a confidential peer evaluation of the other team members, indicating the contribution to the group work that each team member made. If it is clear from the peer evaluations that a team member did not do his/her fair share of the group's work, a penalty will be assessed to the project portion of the course grade.

Attendance policy

Attendance is expected throughout the course, in particular if we have a guest lecturer and when stock analyses are being presented. Failure to attend class when we have an outside speaker will result in a 3 point penalty on your final grade. Failure to attend when an analysis is being presented will result in a 5 point penalty for each day of case presentations that you miss. Excused absences are permitted if you have obtained **prior** permission from me. You are allowed one unexcused absence from a stock analysis presentation with no grade penalty. If you miss your own group presentation, you will receive a grade of 0 for the project part of the course.

I recommend that you attend all class lectures as I will incorporate a significant amount of material that is not in the text. However, if you miss a lecture, there is no grade penalty.

Finally, as the course schedule is tentative, it is your responsibility to ascertain whether the class meeting will be a stock analysis presentation, an outside speaker, or a regular lecture.

Notes:

It is the responsibility of any student with a disability who requests a reasonable accommodation to contact the Office of Student Disability Services (915-7128). SDC will then contact the instructor through the student by means of an *Instructor Notification of Classroom Accommodations* form. Please complete the notification procedure within the first two weeks of the course.

Any student caught cheating will be assigned an F in the course. In most cases a statement will also be made to that effect in the student's record.

School of Business Administration Statement of Academic Integrity

The School of Business Administration upholds honor and academic integrity in all of its teaching, research, and service activities. All business faculty, staff, and students are charged with the responsibility to behave with personal and professional integrity and to refrain from dishonorable conduct.

2005 Spring Class Schedule ***

The following indicates general topics along with reading materials for each week:

Week 1 January 18 and 20

Introduction*

Cash flows

Working with Financial Statements (softcover text)*Cash Flow Analysis* (Chapter 6, Lundholm & Sloan)**Week 2** January 25 and 27

Forecasting

Long-term Financial Planning and Growth (softcover text)*Structured forecasting and Forecasting Details* (Chapter 6 & 7, Lundholm & Sloan)**Week 3** February 1 and 3

Short review of CAPM

Equity valuation—DCF

Equity Valuation (softcover text)**Week 4** February 8 and 10

February 10

Test 1**Week 5** February 15 and 17*Behavioral finance and Technical analysis* (softcover text)

Relative valuation methods

Valuation ratios (Chapter 11, Lundholm & Sloan)

Week 6 February 22 and 24

Portfolio theory

Risk and Return: Past and Prologue

Efficient Diversification

Capital Asset Pricing and Arbitrage Pricing Theory (softcover text)

Week 7 March 1 and 3

Continuation of week 6

Week 8 March 8 and 10

March 10 **Test 2**

Week 9 March 15 and 17

Spring break

Week 10 March 22 and 24

Performance Evaluation and Active Portfolio Management (softcover text)

Macroeconomic analysis

Library reserve materials and Chapters 2 and 3, Lundholm & Sloan

Week 11 March 29 and 31

Industry and sector analysis

Firm specific analysis

Library reserve materials

Week 12 April 5 and 7

April 7 **Test 3**

Week 13 April 12 and 14

Presentation preparation April 12

Presentation of stock analyses

Week 14 April 19 and 21

Presentation of stock analyses

Week 15 April 26 and 28

Presentation of stock analyses

Week 16 May 3 and 5

Review of FIN 533

May 11 **Comprehensive final exam** (4:00 – 7:00 pm)

Important dates:

February 28—deadline for course withdrawals

March 14-18—Spring break

May 6—Last day of classes

*Although we will not explicitly cover in class, you should read Chapter 4 in the Lundholm & Sloan text to for accounting background information that we will use. In addition, ratio analysis covered in both the softcover text as well as the Lundholm & Sloan text (Chapter 5) is used extensively in security valuation. If you are not comfortable with ratio analysis, you should review the texts on the topic.

***I reserve the right to alter the class schedule as circumstances dictate. Changes to the syllabus will be announced in class. Students not attending class are responsible for obtaining this information.
