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## SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

FIN 533, Fall 2010

Sections 1, 1:00 – 2:15 and Section 2, 2:30 – 3:45

Conner 111

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Dr. Bonnie Van Ness

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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 textbook** for this course:

Essentials of Investments by Bodie, Kane, and Marcus, 7<sup>th</sup> edition, © 2008 by The McGraw-Hill Companies, Inc.

An ebook option is available at [www.CourseSmart.com](http://www.CourseSmart.com) and [www.vitalsource.com](http://www.vitalsource.com)

Supplemental materials may be placed on the course website, reserve in the library and/or recommended in class.

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

### Prerequisites and co-requisites:

Prerequisite: C minimum in FIN 331, and co-requisite FIN 338.

### Course Pedagogy:

Security Analysis and Portfolio Management is a quantitative subject, and much of the content of the course reflects this fact. I will work many examples in class. Mastering these class problems alone is not sufficient. You should work all relevant end-of-chapter problems from the textbook and sample problems on my website. Working these problems will benefit you. Unless otherwise instructed, you will be held responsible for all reading assignments (even if they are not covered in the lecture) plus all supplementary material presented in the lecture.

There is a lot of material to be covered in this class. I cannot possibly cover all chapters in their entirety. Rather, I will discuss the more difficult material from the chapters in class. Since I will often move rapidly through the material, you will benefit from attending class and reading the relevant material from the text prior to each class meeting. Complete the reading assignment even if you do not understand everything in the first pass through the material. After class (and before the next one) you should go back and review the material covered. This is the best way to improve your understanding of the class material.

## Grading

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

Exams:	90% (the best 4-out-of-5 exam grades will count 22.5% each)
Homework/quizzes:	10% (the best n-1 out of n homework/quiz grades)

Further, course grades are based on a modified ten-point scale, i.e., an A is assigned for a course average of 90-100, a B is assigned for a course average of 80-89, a C is assigned for a course average of 70-79, a D is assigned for a course average of 60-69, and an F is assigned for a course average of below 60. Any reduction or modification in the minimum average to receive a particular grade will be made consistently across all students (e.g., a student with an 89.3 will not be awarded an A grade and one with an 89.6 a B). Determination of the final breakpoint (if lower than 90 for an A) will be made on the basis of difficulty of tests, distribution of final averages, and natural gaps in the distribution of final averages. The same is also true for B, C and D grades.

All exams will be closed book/closed notes and will be in a multiple choice and problem solving format. You will be provided with selected equations during each exam. The list of equations to be provided will be available on my web-site before each exam. 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.** Your course grade is calculated on a best 4-out-of-5 basis. If an exam is missed – whether due to an emergency, tragedy, or simply because you are unprepared – then the remaining four test scores will be used to compute your class grade. Please do not ask to be granted an exception since **there are no exceptions to this policy**.

Using the best 4-out-of-5 test scores is equivalent to having a drop grade. You get ONLY ONE drop grade. ***Please exercise this option wisely.***

I will pick up homework or administer a “quiz” periodically during the semester. ***There are no make-ups. You must be present at the time homework is collected or the quiz is administered. You will not be allowed to turn in your homework late or take a quiz late. If homework is collected at the beginning of class and you arrive one-minute later, then you will receive a zero for that homework assignment.***

**If you are a graduate student, please look at the course webpage for a syllabus addendum as you have additional work and your course grade will be weighted differently.**

### Notes:

You are encouraged to seek answers to your questions as they arise. Since this is a senior level class, prior knowledge is assumed (see prerequisites). This class will build on prior classes and may, consequently, be more complex. Please do not wait until the end of the semester or the day before a test to ask for help—there’s not much that can be done at that time.

**Due to privacy issues, I do not e-mail grades and I do not give out grades over the telephone.**

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.

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. Please advise me in advance of any needs you may have as I **CANNOT** accommodate them at the last minute.

### **Electronics usage**

Please silence your mobile phone (and store away) when in the classroom. The same applies to *all wireless devices*, such as iPads, computers, etc. Please refrain from using your computer during class, even for note taking purposes.

All phones must be turned off *and stored* during exams as you will not be allowed to use the calculator on your phone during exams.

*Please see me prior to class if there is an impending emergency that means that you will need access to your phone **during** class time.*

### **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.

### **Tentative Class Schedule for FIN 533\*\*\* Fall 2010**

**Week 1** August 23 and 25

Introduction

Chapter 1: *Investment: Background and Issues*

Chapter 2: *Asset Classes and Financial Instruments*

**Week 2** August 30 and September 1

Chapter 3: *Securities Markets*

Chapter 4: *Mutual Funds and Other Investment Companies*

**Week 3** September 8

Chapter 5: *Risk and Return: Past and Prologue*

**Week 4** September 13 and 15\*

September 15 **Test 1 (Chapters 1-5)**

**Week 5** September 20 and 22

Chapter 6: *Efficient Diversification*

Chapter 7: *Capital Asset Pricing and Arbitrage Pricing Theory*

**Week 6** September 27 and 29

Chapter 8: *The Efficient Market Hypothesis*

Chapter 9: *Behavioral Finance and Technical Analysis*

**Week 7**            October 4 and 6\*

October 6            **Test 2 (Chapters 6-9)**

**Week 8**            October 11 and 13

Chapter 10: *Bond Prices and Yields*

Chapter 11: *Managing Bond Portfolios*

**Week 9**            October 18 and 20

Chapter 13: *Equity Valuation*

Relative valuation techniques

**Week 10**          October 25 and 27\*

October 27            **Test 3 (Chapters 10, 11, and 13 and relative valuation techniques)**

**Week 11**          November 1 and 3

Chapter 15: *Option Markets*

Chapter 16: *Option Valuation*

**Week 12**          November 8 and 10

Chapter 17: *Futures Markets and Risk Management*

Chapter 18: *Performance Evaluation and Active Portfolio Management*

**Week 13**          November 15 and 17\*

November 17        **Test 4 (Chapters 15-18)**

**Week 14**          THANKSGIVING BREAK

**Week 15**          November 29 and December 1

Review

**Week 16**

**Comprehensive final exam**      see final exam schedule for date and time

**Important dates:**

October 4—deadline for course withdrawals

November 22 - 26—Thanksgiving Break

Final exam week—December 6 - 10

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\*\*\*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.

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