FINC 4833 Security Analysis and Portfolio Management  
Fall 2011  
Dillard College of Business Administration  
Midwestern State University

Class Hours: Monday and Wednesday,  
11:00 am – 12:20 pm, DB 175

Contact Information
Instructor: Adam Y.C. Lei, Ph.D., CFA  
Office: DB 219  
940-397-4403 adam.lei@mwsu.edu

Office Hours: Tuesday, 01:30 pm – 04:30 pm, and by appointment

Course Materials
Required: 1) Lecture Notes (PowerPoint slides; available through WebCT),  
2) Investment Analysis and Portfolio Management, 9e, by Frank Reilly and Keith Brown, South-Western, ISBN: 978-0324656121, and  
3) Stock-Trak subscription (per team).  

Course Description
Security valuation and selection; theory and practice of portfolio management including asset allocation, diversification, and portfolio performance evaluation.

Course Objective
A. General Learning Goals:

Upon successful completion of this course, students should:

1) Demonstrate problem solving and decision making abilities through the critical analysis, evaluation, and interpretation of business information.  
2) Demonstrate a competency in speaking and writing for common business scenarios.  
3) Know how to use team building and collaboration to achieve group objectives.  
4) Be able to utilize available technology for common business applications.
B. Course Specific Learning Goals:

Upon successful completion of this course, students should have developed the understanding of:

1) The importance of an investment policy statement.
2) Asset allocation and portfolio diversification.
3) Single and multi-factor asset pricing models.
4) Common stock valuation and analysis.
5) Portfolio performance evaluation.

Course Prerequisites

Junior standing or above or consent of the chair, and FINC 4733.

Other Requirements

Each student should have a calculator capable of calculating the time value of money (a financial or scientific calculator will do) in class. A student is expected to be familiar with his/her calculator’s functions.

Grading and Evaluation

<table>
<thead>
<tr>
<th>Course Grading:</th>
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<tbody>
<tr>
<td>Midterm Exam</td>
<td>30%</td>
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<tr>
<td>Participation</td>
<td>10%</td>
</tr>
<tr>
<td>Team-Based:</td>
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<tr>
<td>Investment Policy Statement</td>
<td>10%</td>
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<tr>
<td>Analyst Report</td>
<td>30%</td>
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<tr>
<td>Portfolio performance and report</td>
<td>20%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

90-100  (Excellent)       A
80-90   (Good)             B
70-80   (Satisfactory)    C
60-70   (Passing)          D
Below 60 (Failing)         F

All grades are firm and non-negotiable. There is no rounding in grades. To maintain the fairness to the entire class, the same grading criteria will be applied to every student, and no personal reason will be considered for grading purposes. No grade will be disclosed by email, by phone, or online.

Exam:

There will be one midterm exam during this semester in the assigned classroom. The exam will include questions on any covered material, e.g., lecture notes, classroom discussions, and reading assignments. Each student will need a calculator and ScanTron for the exam. The use of cell phones is not allowed during the exam.
The exam must be taken as scheduled. There is no make-up exam in this course and students missing the exam without a valid excuse will receive an exam grade of zero for the exam. A valid excuse is defined as an authorized absence (see Midwestern State University Undergraduate Catalog (2010-2012) p. 77-78 for the definition) or an unforeseeable, proved, and documented event that requires the student’s presence in a place other than the classroom during the class period, and such event is deemed acceptable by the instructor. In the case of an excused absence, the document justifying the absence must be turned to the instructor within one week from the absence, and the weight assigned for the missed exam will be redistributed to the other grade components.

**Participation:**

A student’s grade on class participation depends on three factors: 1) Attendance, 2) Performance on raising and answering questions in class, and 3) Grades on random assignments. There is no guarantee that a student attending every class will automatically receive the full credit on class participation.

Class attendance, Midwestern State University Undergraduate Catalog (2010-2012), p. 78

Students are expected to attend all meetings of the classes in which they are enrolled. Although in general students are graded on intellectual effort and performance rather than attendance, absences may lower the student’s grade where class attendance and class participation are deemed essential by the faculty member. In those classes where attendance is considered as part of the grade, the instructor should so inform students of the specifics in writing at the beginning of the semester in a syllabus or separate attendance policy statement. An instructor who has an attendance policy must keep records on a daily basis. The instructor must give the student a verbal or written warning prior to being dropped from the class. An instructor’s records will stand as evidence of absences. A student with excessive absences may be dropped from a course by the instructor. Any individual faculty member or college has the authority to establish an attendance policy, providing the policy is in accordance with the General University Policies.

For the record keeping purpose, each class period a roll sheet will be passed through the class and students need to make sure that they sign on the roll sheet. Signing any other student’s name on the roll sheet is considered as a disruptive conduct in this course.

Instructor Drop, Midwestern State University Undergraduate Catalog (2010-2012), p. 73

An instructor may drop a student any time during the semester for excessive absences, for consistently failing to meet class assignments, for an indifferent attitude, or for disruptive conduct. The instructor must give the student a verbal or written warning prior to being dropped from the class. An instructor’s drop of a student takes precedence over the student-initiated course drop of a later date. The instructor will assign a grade of either WF or F through the 8th week of a long semester, the 6th week of a 10 week summer term, or the 11th class day of a 4 or 5 week summer term consisting of 20 days. After these periods the grade will be an F. The date the instructor drop form is received in the Office of the Registrar is the official drop date.
Students who miss more than one third of the class periods without valid excuses will be dropped from this course. A valid excuse is defined as an authorized absence (see Midwestern State University Undergraduate Catalog (2010-2012) p. 77-78 for the definition) or an unforeseeable, proved, and documented event that requires the student’s presence in a place other than the classroom during the class period, and such event is deemed acceptable by the instructor. In the case of an excused absence, the document justifying the absence must be turned to the instructor within one week from the absence.

Students who fail to meet class assignments, show indifferent attitudes, or reveal disruptive conducts will be given warnings each time such instance occurs. Students with more than two warnings will be dropped from this course.

**Team-Based Grade Components:**

Students are required to form teams of 3 members in this course for preparing the investment policy statements, analyst reports, and portfolio performance reports.

**Team Formation**

If the class size at the second week of class (for the class size to stabilize) is not a multiple of 3, then at most \( N = \text{Remainder of (class size/3)} \) teams can have 4 members. The composition of a team cannot be changed once the term is formed, and each team is at its own risk that its members may later withdraw or be dropped from this class during the semester. The team formation is due on **September 7 (Wednesday)** at the beginning of class. Each team should send the instructor an email on or before the due date with a list of team members for the official record. Students who are not in a team by the due date will form teams of 1 member, and those students will face a grade penalty on failing to meet the team formation deadline. Individual teams will be evaluated on the same basis regardless of team size, and students in the same team will receive the same grade on the team-based grade components regardless of their responsibilities within the team. The formation of team is on a first come, first served basis.

**Portfolio Construction and Presentation**

Each team is required to construct an equity portfolio through Stock-Trak over the course of this semester, with no less than 20 domestic stocks accounting for 90% or more of the portfolio value on the market close of **November 18 (Friday)**. At the beginning of each Monday class, starting **September 12 (Monday)**, each team will present its stock selection, portfolio performance, and other related issues to the entire class. The performance of the portfolio from **August 29 (Monday)** to the market close on **November 18 (Friday)** is subject to an evaluation and contributes to the team-based grades under Portfolio Performance and Report.

**Stock-Trak Information**

“Stock-Trak is the web’s most realistic and the most comprehensive stock market simulation for college business students worldwide. ... Students gain first-hand, real world knowledge of how the markets work, how to place orders, practice theories and strategies learned in class, and
compete with their classmates. ... Each year over 1,100 professors and their 60,000+ students use StockTrak.com in their finance, business, economics, and/or accounting classes. In the U.S., over 80% of the top Business Schools use StockTrak.com, ...

Class name/code: “MWSU-FINC4833-Fall2011”

Service level: Silver
Maximum number of trades: 200
Trading start/end dates: 8/29/2010 to 11/18/2010

There is a cost of $26.95 per account that each team needs to pay individually during the account registration. Each team should establish only one account in the name of one of the team members. All members in a team, however, should share the cost of establishing the account.

Simulation parameters:

Initial cash balance: $1,000,000
Allowable investments: U.S. equity
Minimum stock price for buying: $1.00
No margin trading, no short selling, and no day trading
Position limit: Each security no more than 10% of portfolio value
Commission: $7.95

Investment Policy Statement:

Each team is required to prepare an investment policy statement for a moderately aggressive equity fund that aims to beat the S&P 500 index performance and achieve a superior portfolio return through capital gains. The statement is due on September 26 (Monday), at the beginning of class.

Analyst Report:

Each team is required to prepare an analyst report for a stock included in its investment portfolio, and present the report to the entire class on the scheduled date. Each team should submit its analyst report to the instructor on the last day scheduled for analyst report presentation, i.e., November 21 (Monday), at the beginning of class.

The submitted report is in general subject to the following format requirements:

1) Margin: 1 inch
2) Font size: 12
3) Font: Times New Roman
4) Line spacing: Double
5) Page limits: Minimum 15 pages and maximum 25 pages (excluding cover page)
Portfolio Performance and Report:

Each team is required to prepare a performance evaluation report for its investment portfolio from **August 29 (Monday)** to the market close of **November 18 (Friday)**, and present the report to the entire class on the scheduled date. Each team should submit its performance report to the instructor on the last day scheduled for performance report presentation, i.e., **November 30 (Wednesday)**, at the beginning of class.

The submitted report is in general subject to the same format requirements as the analyst report.

**Other Course Policies**

1) Please bring a calculator to class.
2) It is obviously in a student’s best interests to attend class regularly.
3) Students are expected to read the class material before and after the scheduled classes.
4) Announcements not made in class will be posted online through WebCT. Students have the responsibility to check the postings and class material regularly.
5) *Video, audio, and image recording other than taking hand-written or typed notes in the classroom is not allowed without the prior consent of the instructor. Redistribution of course material prepared by the instructor in any form outside this class is not allowed.*

**Academic Integrity**

Students shall follow the “Student Honor Creed” on p. 19 of the Midwestern State University Undergraduate Catalog (2010-2012). A student who commits academic dishonesty is subject to conduct sanctions (Please refer to the Midwestern State University Student Handbook (2011-2012) for the definition of Academic Dishonesty, Conduct Sanctions, and Academic Misconduct Procedures).

**Americans with Disabilities Act**

This course follows the university policies and guidelines suggested by the Disability Support Services Office for qualified students. Students are referred to p. 21 of the Midwestern State University Undergraduate Catalog (2010-2012) for details.

**Syllabus Change Policy**

This syllabus is a guide for this course and is subject to change with advanced notice.

**References**

Midwestern State University Student Handbook (2011-2012), [http://students.mwsu.edu/dean/](http://students.mwsu.edu/dean/)
Midwestern State University Undergraduate Catalog (2010-2012), [http://registrar.mwsu.edu/catalog/](http://registrar.mwsu.edu/catalog/)
Course Content and Outline

I. The Investment Background

Chapter 2: The Asset Allocation Decision

II. Developments in Investment Theory

Chapter 7: An Introduction to Portfolio Management
Chapter 8: An Introduction to Asset Pricing Models
Chapter 9: Multifactor Models of Risk and Return

III. Valuation Principles and Practices

Chapter 11: An Introduction to Security Valuation

IV. Analysis and Management of Common Stocks

Chapter 12: Macroanalysis and Microvaluation of the Stock Market
Chapter 13: Industry Analysis
Chapter 14: Company Analysis and Stock Valuation
Chapter 15: Technical Analysis
Chapter 16: Equity Portfolio Management Strategies

VII. Specification and Evaluation of Asset Management

Chapter 25: Evaluation of Portfolio Performance
Course Schedule

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<th>Date</th>
<th>Schedule</th>
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<td>22</td>
<td>Introduction</td>
<td>24</td>
<td>Chapter 2</td>
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<tr>
<td>8</td>
<td>29</td>
<td>Chapter 2</td>
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<td>Chapter 7</td>
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<td>9</td>
<td>5</td>
<td>Labor Day</td>
<td>7</td>
<td>Chapter 7 &amp; 8</td>
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<td>(Team formation due)</td>
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<tr>
<td>9</td>
<td>12</td>
<td>Chapter 8</td>
<td>14</td>
<td>Chapter 8 &amp; 9</td>
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<td>19</td>
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<td>Chapter 9 &amp; 11</td>
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<td>Chapter 11</td>
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<td><strong>Midterm Exam</strong></td>
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<td>3</td>
<td>Bloomberg (STAR Lab)</td>
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<td>10</td>
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<td>Analyst report (Ch 12)</td>
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<td>Analyst report (Ch 14)</td>
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<td>Performance Evaluation (Ch 16)</td>
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<td>10/11</td>
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<td>Bloomberg (STAR Lab)</td>
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<td>TBA</td>
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<td>Analyst Report presentation</td>
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<td>11/12</td>
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<td>Performance Report Presentation</td>
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<td>Performance Report Presentation</td>
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Exam

Midterm Exam: **September 26 (Monday)**