

SYLLABUS

**BA 3520
INVESTMENTS
SPRING SEMESTER 2016**

**UNIVERSITY OF MISSOURI – ST. LOUIS
COLLEGE OF BUSINESS ADMINISTRATION**

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Office Location and Hours: Tower 1109; after class for a few minutes, my office at about 2:00 PM on Mondays and Wednesdays, or by appointment.

First a confession. This is the first semester I have taught this course. I have experience with investing, have talked extensively to colleagues who have taught this course from this ebook, have thought about how to best teach the course, and have prepared to teach the course. Despite all of my preparation I can't exactly predict how the course content, pace, and "comfort" will play out the first semester. So I may fumble around a bit and I may find it necessary to make a few mid-course corrections. However, I will communicate in advance any changes that will be made during the semester. Also, I fully intend to give you your money's worth and promise that any difficulties I have in teaching the course won't cause your course grade to suffer.

Course purpose: Public companies demand large sums of capital to conduct their operations and take advantage of opportunities for financial return. In a similar manner municipal and federal governments seek capital to provide services to the public. The supply of such capital is from investors, either individuals or institutions, who seek a balance of return and risk on their invested funds. There is an implicit "contract" between the capital demanders and the capital suppliers. This "contract" serves the respective objectives of both investor and company (or government) as well as society as a whole. In this course we will review the various asset classes that investors purchase, the various "players" who participate in advising and "matching" buyers and sellers of securities, and the methods for evaluating the absolute and relative value of investments in various asset classes. Asset classes in which we are primarily interested are of the financial variety (equities, debt, derivatives).

Ideally, in this course the student should become familiar with:

- The language of investments,

- Theories of debt and equity valuation,
- Securities markets,
- Portfolio theory, and
- Construction of a personalized investment portfolio.

Textbook: There is no hardcopy textbook. Rather, students will use an ebook. The ebook is the ninth edition of *Essentials of Investments* (Bodie Kane Marcus). This is a very good textbook in terms of both maximizing your learning and your course grade. In addition to the ebook registration in this course will enable student access to McGraw-Hill's Connect Finance. Connect Finance, which is "paired" with UMSL's Blackboard, is the website at which you will read the ebook, perform assignments (which will be graded and count towards your course grade), and see other materials that are pertinent to the course. I am told you will be automatically charged for the ebook and access to Connect Finance as part of your registration for this course. I will provide you with an access code to Connect Finance for this course via e-mail prior to our first class or at our first class.

I don't recommend purchase of a used hardcopy of the textbook. The ebook is well organized for online use and, besides, you're paying for it. But if you absolutely need a hardcopy, the UMSL bookstore has a few loose leaf hardcopies of the ebook for sale at about \$40.00.

Exam policy: There will be two exams and a final exam each of which will be non-comprehensive. Exam date will be announced in class about ten days prior to the exam. Exams will combine true/false, multiple choice, and numerical problems.

Exams will be based on the assigned reading in the ebook, lectures (which will include some material not found in the ebook), online homework and assignments, and outside material to which I draw your attention.

Cumulatively, the two exams and the final exam represent 70 percent of a student's course grade.

If you wish to appeal my scoring of an answer on an exam, please submit a reasoned request via e-mail within one week of the exam being returned to you. I promise to objectively review your request and if you're right, I'll gladly revise my scoring.

Investment Simulation: During the semester each student will be required to participate in an investment simulation for ten weeks. Moreover, a portion of each student's course grade will be based on their participation in the simulation. In the simulation each student will be "given" \$100,000 in cash that they will manage for the ten week period.

The simulation is provided by StockTrak Global Portfolio Simulations, a for-profit company. StockTrak has a long track record in providing securities trading simulations, is used by many universities in the U. S. and overseas, and has been successfully used in Finance classes at UMSL for several years.

Students must register for the simulation by accessing the following weblink and activating an account:<http://www.stocktrak.com/public/members/registrationstudents.aspx?p=UMSLFIN3520SPR16>

Alternatively, students may register by accessing Stocktrao's website, clicking on "students register here", and inputting UMSLFIN3520SPR16 as the class name.

There is a \$27.95 cost to the student for participation in the simulation. Students will pay StockTrak directly as part of the online registration process. I am told that each student's McGraw-Hill ebook contains an electronic coupon for \$5.00 that can be applied to the registration fee. No, I don't make any money on the simulation. I regret that students have to pay the registration fee, but the learning value of the simulation is significant.

Students may form a team to perform the simulation. Teams, which are not mandatory, can consist of a maximum of two students. Grades will be shared equally between team members.

At the outset of the simulation students may apply their \$100,000 to purchasing stocks, bonds and mutual funds. During the course of the ten weeks of simulation the "rules" will be relaxed so students can initiate more sophisticated (and risky trades). Shorts, options, futures, and foreign securities will be possible. Trading costs in the simulation are nominal and, therefore, should not be a major consideration in a student's investment choices.

Student grades on the simulation will not be based on best performance as measured by portfolio return. Rather, each student, or team, will develop an investment strategy before the simulation begins. At the end of the simulation the the results of a student's investments will be compared to the strategy to determine how closely the student adhered to and achieved the objectives of the strategy. Appropriate strategies might not include an objective to maximize return on the portfolio. Examples of different portfolio strategies, each of which is rational given a particular set of circumstances, appear below:

- Protect principle and maintain liquidity. This strategy might be completely appropriate for an elderly investor who has a \$10 Million net worth sufficient for his life and that of his heirs.
- Sinking fund. Generate a reliable and tax efficient annual cash flow that combined with principle will fund critical insurance premiums totaling \$8,000 per year for ten years.
- Opportunistic bottom fishing. Deploy cash to purchase securities that are undervalued due to market volatility or overreaction to "bad" news about the security.

Student performance on the simulation will count as ten percent of course grade.

Assignments: Each chapter will have assignments (homework) that collectively will count 15 percent towards course grade. The assignments can be accessed and completed via Connect Finance. Each chapter assignment will consist of a combination of multiple choice and quantitative problems. There will be set dates on which the assignments can be accessed by

students, typically at about the time of chapter lecture. There will also be due dates after which completed assignments will not be accepted. Assignments will be graded online.

Class attendance, participation, and instructor discretion:

Role will be taken at each class. Attendance is not required, but it potentially has a bearing on course grade (see Course Grading Policy below). I know that some students have responsibilities to family and work and that these responsibilities must sometimes take priority over class. If you have a legitimate situation that keeps you from class, please make me aware. But you will learn more information that you will need after graduation if you attend class.

Class participation is defined as your offering appropriate comments and questions pertinent to material being discussed. I sincerely believe that class participation is an important part of your college education and an opportunity for you to expand your skills. Why do I believe this? Because in whatever career you pursue your long-term compensation and job responsibilities will be greater if you speak appropriately to your boss, your colleagues, and your customers. However, many of you do not feel comfortable speaking in groups. This discomfort is typical, but, fortunately, can be reduced with practice. This class is a place where you can safely speak to gain confidence and experience in expressing yourself. I urge you to take this opportunity.

I may call on students by name to comment on questions raised by lecture or assignment. If you don't know the answer or simply don't wish to speak, just say "pass" or "I don't know" and we will move on. I won't embarrass you. Note again that 5 percent of each student's course grade is based on a combination of attendance, participation and instructor discretion (see Course Grading Policy below). At the first class I will explain how I will assess student participation.

It may not be fully objective, but I reserve the right to modify your course grade based on my discretion limited by the five percent of your course grade that is based on attendance, participation and my discretion. I promise to be fair. This topic deserves more discussion and, therefore, will be addressed at the first class, including your feedback and concerns.

Course Grading Policy:

COMPONENT	PERCENT OF GRADE
First exam	20
Second exam	25
Final exam	25
Simulation	10
Assignments	15
Attendance, participation and instructor discretion	5
Total	100

Course letter grades will be earned as follows: A (100 to 90.0), B (89.9 to 80.0), C (79.9 to 70.0), D (69.9 to 60.0), and F (less than 60.0). There will be no curve used to determine grades.

Minuses and pluses to course letter grades will be used in keeping with UMSL policy.

Your instructor: I am a retired banker and bank consultant who is occasionally retained as an expert witness. Functionally, my banking background includes commercial lending, treasury management, retail banking, operations/technology, and finance.

Student/instructor communication: I will be available in the classroom immediately after each class for a few minutes and in my office at Tower 1109 for at least an hour at about 2:00 PM on Mondays and Wednesdays. If an appointment outside of my office hours is necessary, I'll work with you to arrange a meeting. I will check my UMSL e-mail daily and typically respond within 24 hours. I don't check (or even know) my UMSL phone number. And I can't imagine why you would need my cell phone number. In summary, I will attempt to make myself available to you because you're entitled to some of my time out of class.

MyGateway: We will use MyGateway for course announcements and articles of interest. For your benefit, please check MyGateway frequently. And remember that UMSL's Blackboard and Connect Finance are "paired". At the first class we will discuss the link between these two systems.

Tardiness: Sometimes you or I will be late due to traffic, weather, children, or some other legitimate reason. But I generally hate tardiness because it is rude and disruptive of class. If you're tardy, for any reason, don't enter the class until I admit you. This will avoid disruption. Also, if you have a circumstance that will cause frequent tardiness, I suggest you see me in advance.

Academic honesty: Don't cheat. You are expected to know, understand, and adhere to UMSL's Code of Student Conduct in regard to academic honesty. This includes doing your own work on online assignments and investment simulation.

Student conduct: You are expected to be respectful to your fellow students and to me, and to fully comply with UMSL's Code of Student Conduct at all times.

Cell phones, beepers, and other communication devices are to be turned off during class. You are free to use a laptop to take notes, but not to communicate or surf the web.

If you wish to use an electronic dictionary during exams, see me for prior approval. I will usually grant that request but I reserve the right to inspect your device at any time, including during an exam.

Handouts: Periodically I issue handouts or direct your attention to print or electronic articles. Such material is subject to exam.

Course outline: We will not move sequentially through the ebook. See information below on sequence and commissions of ebook material.

- Chapter 22 will be addressed after chapter four,
- Once chapter 22 has been completed we will address chapter five,
- In chapter five, only sections 5.1, 5.2 and the chapter summary will be addressed,
- In chapter six, only sections 6.1 and 6.4 will be addressed, and
- Chapter nine will be omitted.

Students are urged to read the ebook, which is very informative, readable, and contains material that will enhance your ability to manage your personal assets and to impress your boss and colleagues. Also, if students do the reading their grade on exams will be increased and the amount of time you spend on assignments will be decreased. I assume course grade will be improved as well.

Movement through the ebook is subject to modification as we progress through the course. This is due primarily to this being the first time I have taught this course. But I'll give you advance notice if I do make changes to the course outline.