Louisiana State University
College of Business Administration

Finance 7826
Investment Analysis and Portfolio Theory
Professor: Gary Sanger
Fall Semester, 2001

Office: 3304 - G CEBA
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Office Hours: T, W 10:00 - 12:00, and by appointment
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Course Objectives:

This course is designed to provide the conceptual tools necessary to understand the rapidly changing field of modern investments. The orientation of the course will be "real world" or applied. However, the basic theoretical underpinnings of various topics in investments are crucial to doing sound analysis. Topics covered will include the following: types of securities, types of institutions, trading mechanics, risk/return relationships, efficient diversification, efficient markets, stock valuation, bond valuation, valuation of derivative securities.

Course Text:


Recommended Reading:

Wall Street Journal, Barron’s, Investors Business Daily, other current paper or electronic investments periodicals.

Grading:

Midterm Exam; Oct. 16 - (In class) 30%
Final Exam; Dec. 12 - (5:30 – 7:30 p.m.) 30%
Stock-Trak 20%
Class Participation 20%

Exams will be a combination of essay, short answer and problem solving. The final exam will cover only material that follows the midterm. On exams, students are held responsible for all material covered in class (including discussion of current events) and all assigned readings.
Stock-Trak is a realistic investment simulation game that will introduce you to the practical details of the investment process. A detailed Stock-Trak assignment and instructions are on the last page of this syllabus.

The quality of class participation will be weighted heavily in determining the participation grade. Students should show an understanding of facts, concepts and theories presented in the course. Students should ask questions, answer questions, offer constructive criticism and build on the ideas of others.

A course outline appears on the following page. Exam dates and times are firm so please keep them in mind as you plan your semester.

Practice homework problems will be assigned in advance of coverage of each chapter. I will not collect or grade these assignments, but we will discuss the homework in class. Homework problems are designed to help you prepare for exams and master applications.

You will get the most out of the course if you read the assigned material and work homework problems before they are covered in class.

The University has clear and strict policies regarding academic dishonesty. These policies will be followed in the course.
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<thead>
<tr>
<th>Class Dates</th>
<th>Topic</th>
<th>Reading*</th>
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<tr>
<td>August 28</td>
<td>Introduction, The Investment Environment</td>
<td>Chapter 1</td>
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<td>September 4</td>
<td>Markets and Instruments, Mechanics of Trading</td>
<td>Chapters 2, 3</td>
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<td>September 11</td>
<td>Mutual Funds</td>
<td>Chapter 4</td>
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<td>September 18</td>
<td>Market History</td>
<td>Chapter 5</td>
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<td>September 25</td>
<td>Risk Aversion and Asset Allocation</td>
<td>Chapters 6, 7</td>
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<td>October 2</td>
<td>Portfolio Theory</td>
<td>Chapter 8</td>
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<td>October 9</td>
<td>CAPM</td>
<td>Chapters 9, 10</td>
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<td>October 16</td>
<td>CAPM - continued Midterm Exam - In Class</td>
<td>Chapter 10</td>
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<td>October 23</td>
<td>Market Efficiency</td>
<td>Chapter 12</td>
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<td>October 30</td>
<td>Bond Valuation and Interest Rates</td>
<td>Chapters 14, 15</td>
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<td>November 6</td>
<td>Fixed Income Portfolio Management</td>
<td>Chapter 16</td>
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<td>November 13, 20</td>
<td>Security Analysis</td>
<td>Chapters 17, 18, 19</td>
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<td>November 27</td>
<td>Options</td>
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<td>December 4</td>
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<td>December 12</td>
<td>Final Exam (5:30 – 7:30 p.m.)</td>
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* **Note:** I will make detailed reading assignments prior to each class. We will skip some sections of several chapters.
Before doing any trading: (a) read **carefully** the instructions to the simulation and (b) decide upon your investment objectives (any objective is allowed).

Your grade (20% of the course grade) will be based on a final report, to be turned in by Friday, December 7. Your report must include, but is not limited to, the following:

1. A description of your investment objectives.

2. A description of your trading activity during the simulation. State the reasoning used in implementing your strategy. Include in your report the final portfolio statement from Stock-Trak (it has a listing of all your trades).

3. Describe, using appropriate statistical measures, the risk and return of your portfolio over the 10-week investment period.

4. A self-appraisal of your performance. How did your portfolio perform relative to:
   a. your stated objectives?
   b. your prior expectations?
   c. appropriate benchmarks?

5. Did you learn anything in this class that would have improved your results? If so, what?

6. Cite any references that you use in writing your report.