

Course Syllabus
Finance 7110
Fall 2011

Course	Investments																		
Professor	Bill Reese Office: Room M121 Office Phone: 865-5465 E-mail: wreese@tulane.edu Office Hours: by appointment																		
Course Material	<i>Investments</i> 9th Edition By Bodie, Kane and Marcus (recommended, but not required) Additional readings (some required and some optional) can be found on the class website. Cases (see class website for how to obtain cases) Note: All cases are required reading Ontario Teachers' Pension Plan Board (OTPPB) Martingale Asset Management (Martingale) Barclays Global Investors and Exchange Traded Funds (Barclays) Maverick Capital (Maverick) Behavioral Finance at J.P. Morgan (BF at JPM) Dimensional Fund Advisors (DFA) Applying the Capital Asset Pricing Model (CAPM)																		
Prerequisites	Students must have completed Finance 6010. This is the only prerequisite.																		
Grading	<table><tr><td>Final Exam</td><td>25%</td></tr><tr><td>Midterm Exam</td><td>25%</td></tr><tr><td>Stock-Trak</td><td>10%</td></tr><tr><td>OTPPB</td><td>10%</td></tr><tr><td>Event Study</td><td>10%</td></tr><tr><td>Effect of Diversification</td><td>5%</td></tr><tr><td>Duration</td><td>5%</td></tr><tr><td>Fixed Income Problem Set</td><td>5%</td></tr><tr><td>Attendance and Participation</td><td>5%</td></tr></table>	Final Exam	25%	Midterm Exam	25%	Stock-Trak	10%	OTPPB	10%	Event Study	10%	Effect of Diversification	5%	Duration	5%	Fixed Income Problem Set	5%	Attendance and Participation	5%
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I plan to adhere to the Freeman School grading guidelines which recommend a class-GPA in the range of 3.33 – 3.67 for elective MBA courses.

Midterm Date	Please note that the midterm exam will be held Saturday Morning Oct. 8 so that all three sections can take the exam together. To compensate you for your time, there will be no day class on either Mon. Sept.26 or Friday Oct. 7 and no evening class on Monday Oct. 10.
Goals and Objectives	The first half of this course will be an in-depth study of portfolio theory. We will develop the foundations of Modern Portfolio Theory and show how you would use its principals to calculate mean/variance efficient portfolios. We will also look at alternatives to MPT with multifactor models, specifically the Fama/French three-factor model. The second half of the course will focus on fixed income analytics. We will discuss how to price various types of fixed income securities and how to measure their interest rate risk. We'll learn how to hedge interest rate risk, and how to incorporate call and conversion features into a bond's price. We'll also examine various theories about the term structure of interest rates, deriving implied forward interest rates and bootstrapping yield curves. We will also introduce options, learn how to conduct an event study, and discuss the efficient market hypothesis and some of its alternatives.
Readings	The text (BKM) is not required, but since almost all the material in this course comes from this text, I recommend that you read it as an additional source of information. There are several required readings (and many optional ones). These can be found on the class website, except for the Harvard Cases which must be purchased (see the class website for details on how to purchase them).
Stock-Trak	Each student will join an investment team (minimum 3 and maximum 5 students per team) and will participate in a portfolio simulation exercise managing \$1,000,000 over the semester. The simulation is professionally-managed by Stock-Trak Global Portfolio Simulations (www.stocktrak.com). The investment period extends 12 weeks from September 6 to November 25. The fee per registered account is \$26.95 (your text has a coupon for \$5 off). Each investment team will prepare a Fund Prospectus at the beginning of the exercise and a performance analysis at the end of the exercise. Additional information can be found on the class website.

Assignments	In addition to Stock-Trak, there will be five assignments over the course of the semester. These assignments are due at the start of class on the scheduled due date. If they are late, you will lose points. Assignments are to be done individually unless the assignment instructions specifically state otherwise.
Participation	I think that it is important for you to attend class and participate in class discussions. You will be responsible for anything covered in class, even if you are not in attendance that day. In addition to the 5% of your grade that is based on attendance and participation, I reserve the right to reduce a student's grade due to excessive absences from class, a lack of attentiveness in class, or inappropriate use of a laptop or cellphone in class.
Syllabus	Please note that this syllabus is not a contract. It is a statement of expectations and information. I reserve the right to change anything in it at any time.
Website	I will be maintaining a website for this course at http://info.freeman.tulane.edu/breese714 On it, I will be posting announcements that you will want to read, class notes, assignments, test scores, and other worthwhile information. I strongly encourage you to visit the website regularly to keep up with what's going on in class. The non-announcement material will also be posted on Blackboard.
Three Sections	There are three sections of this course that I am teaching. One class meets on Monday and Wednesday afternoons at 2:00, one meets on Monday and Wednesday afternoons at 3:30, and the third class meets on Monday evenings at 6:30. I will be covering the same material in each section, and you will be taking your tests together. I will also be pooling the scores from the three classes when I calculate the grades for the course. If you want to attend a different section of the class one week, be sure to check the schedule to make sure they are covering the same material as your section, and let me know when you arrive to class.
Laptops	Laptops may be used during class to take notes, work through Excel problems we are doing, etc. They are not to be used for web surfing, emailing, messaging or anything not directly related to what we are studying at that moment. If they are being used during class for any purpose other than work we are doing in this class, your grade for the course will be reduced. Cellphones may not be used during class.