

FIN 4504, Sections 2173 & 2174: Equity and Capital Markets
Fall 2009

Instructor: Aaron Gubin
Office: Stuzin Hall (STZ) 315A
Office Hours: Tuesday, Periods 7-8 (1:55 – 3:50); Wednesday, Period 4; or by appointment *
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Lecture Schedule: Section 2173: Monday, Wednesday, Periods 7-8 (1:55 – 3:50)
Section 2174: Monday, Wednesday, Periods 9-10 (4:05 – 6:00)
Lecture Location: Matherly Hall (MAT) 16
Course Website: <https://lss.at.ufl.edu/>

Course Overview and Objectives

FIN 4504 provides an in-depth discussion of fundamental principles related to equity securities and options for both institutional and individual investors. Objectives of this class include understanding

- (a) how security markets function,
- (b) what influences a stock's rate of return, and
- (c) how to develop investment strategies.

Though we consider the viewpoint of corporate investment professionals and institutional equity money managers at times, the primary focus in this course centers on personal financial decisions related to picking stocks and/or equity mutual funds. With the general trend towards defined contribution pension plans in the U.S., most of us will be forced to choose from an array of investments including stocks, bonds, money market funds, and mutual funds. As we move through the material in this course, it's a good idea to ask yourself, "How would what we're talking about in class affect my real-world investment portfolio?"

It is important to be skeptical about investment advice that you read in the popular press. There is a litany of gurus and investment strategies out there with lots of people trying to make commissions off your investment dollars. One ancillary goal of this course is that you be able to understand and critically evaluate investment advice from brokers and the financial press.

Course Prerequisites

You are officially required to have taken FIN 3403. Some of the topics in FIN 4504 are simply more detailed discussions of the material you covered in FIN 3403. In fact, you may want to review your notes on CAPM in Brigham and Houston's Fundamentals of Financial Management. Prior to taking this course, you must be familiar with (a) the structure of basic financial statements, (b) basic statistics such as mean, variance, standard deviation, correlation, and covariance, (c) MS Excel since there will be some spreadsheet work, and (d) how to access web pages. If your computer or spreadsheet skills are weak, you can expect to spend significantly more time on class projects.

Textbook and Course Materials

Textbook

The recommended text is Bodie, Kane, and Marcus, Essentials of Investments, 7th edition, McGraw-Hill/Irwin, 2008. I will use the text as a rough guide for lectures, so the fifth or sixth edition should work fine.

I am also recommending that you read Gordon Malkiel's excellent book, A Random Walk Down Wall Street. It is not required, but a very worthwhile use of your free time. As an extra incentive for you, there will be a non-free extra credit question on your final regarding the book.

Class Notes

I will make my class notes available via the website. The notes will not be comprehensive, however. The notes act as a general guide to our in-class discussions, but are intentionally incomplete. There are things that we will talk about in class that are not in the lecture notes and that will show up on exams.

My intent is to provide you with something that will help you follow the lecture and focus on the important material. Their availability should not provide you with less incentive to attend class. I will do my best to have the lecture notes available on the course website one topic ahead of class.

Financial Press

When appropriate, we will discuss current articles appearing in the financial press. To access these, you will likely need a UF IP address. If you are reading while off campus, I suggest that you try the university's VPN service. To download the CISCO software, go to the following website:
http://net-services.ufl.edu/provided_services/vpn/

This software requires a Gatorlink ID and basically gives an off-campus computer a UF IP address. UF library subscriptions (such as financial press) should then be available to you.

Financial Calculator

You need a calculator of some sort, preferably a financial one. What you used in FIN 3403 is fine.

Student Accommodations

Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation.

Grading

General Policies

For specific information regarding University of Florida grading policies, please refer to the undergraduate catalogue webpage: <http://www.registrar.ufl.edu/catalog/policies/regulationgrades.html>.

Breakdown

Homework	15% (3 assignments worth 5% each)
Midterms	50% (2 midterms worth 25% each)
Final	35%

Classroom Participation

Though it is not a graded component of the course, I am a firm believer that students can learn from each other. Please ask insightful questions, contribute to class discussions, prompt me to clarify or expand on the topics we cover, or provide cogent comments about your work/personal experiences.

However, I am also very sensitive to behavior that is disruptive to the instructor or other students. Be respectful of your fellow classmates.

Homework

The purpose of homework is to prepare you for exams by providing information about both format and content. All three homework assignments will be equally weighted to give an overall homework score. Each homework set will effectively be an extended practice test to give you a feel for what the exams will look like. I will officially grade only a subset of the problems. However, I will check to see that you've made an honest attempt to answer all of the questions. Solutions to the graded homework problems will be posted to the class web page very shortly after they're due. The homework assignments will be due before class begins on their respective due dates. I will consider homework turned in once class has begun 'late' and *will not be accepted* unless you make prior arrangements with me at least two class periods before the due date and you have an extraordinarily good excuse. You can work on homework assignments in groups (max of three people) if you wish, but each student must turn in his/her own homework. Also, please indicate who you worked with on your homework.

Exams

We will have three exams: two midterms and a final. The final exam will be cumulative, though weighted towards the material covered during the latter part of the course. There will not be any make-up exams. If you plan to be out of town on any of the exam dates, please let me know as soon as possible, and we may be able to schedule an early test.

You can request a re-grade of your exam during the one-week period after the respective exam date (after that week, no re-grades will be considered). Please note that I will re-grade the entire exam, and your score may increase or decrease as a result of the re-grade.

Course & Lecture Detail

Below is the expected schedule for this semester. Deviations from this schedule will be announced in class and posted on the class website.

Topic 1	Investments background	BKM Chapter 1
Topic 2	Financial Securities	BKM Chapter 2
Topic 3	Securities Markets	BKM Chapter 3
Topic 4	Mutual Funds/Investment Corporations	BKM Chapter 4
Topic 5	Risk and Return	BKM Chapter 5
Topic 6	Efficient Diversification	BKM Chapter 6
Topic 7	CAPM & APT	BKM Chapter 7
Topic 8	Efficient Markets & Behavioral Finance	BKM Chapter 8
Topic 9	Equity Valuation	BKM Chapter 12
Topic 10	Performance Evaluation & Portfolio Management	BKM Chapter 17
Topic 11	Options Markets	BKM Chapter 14
Topic 12	Option Valuation	BKM Chapter 15

Date	Lecture #	Class Agenda	Due in Class
Aug 24	1	Topic 1	
Aug 26	2	Topic 1/2	
Aug 31	3	Topic 2	
Sept 2	4	Topic 2/3	
Sept 7		No Class – Labor Day	
Sept 9	5	Topic 3	
Sept 14	6	Topic 3/4	
Sept 16	7	Topic 4	HW 1 Due
Sept 21		Exam Review	
Sept 23		Midterm 1	
Sept 28	8	Math Review/Topic 5	
Sept 30	9	Topic 5	
Oct 5	10	Topic 5/6	
Oct 7	11	Topic 6	
Oct 12	12	Topic 6	
Oct 14	13	Topic 7	
Oct 19	14	Topic 7	
Oct 21		No Class	
Oct 26	15	Topic 8	
Oct 28	16	Topic 8	HW 2 Due
Nov 2		Exam Review	
Nov 4		Midterm 2	
Nov 9	17	Topic 9	
Nov 11		No Class – Veterans Day	
Nov 16	18	Topic 9/10	
Nov 18	19	Topic 10	
Nov 23	20	Topic 11	
Nov 25		No Class – Thanksgiving	
Nov 30	21	Topic 11/12	
Dec 2	22	Topic 12	HW 3 Due
Dec 7		Review	
Dec 9		Final Exam	

* I am not scheduling office hours for October 20-21 or November 24-25. Feel free to contact me to schedule additional office hours as necessary.