

# Baruch College

## Economics & Finance

### FIN 3710

Fall 2018

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Instructor: Chris Droussiotis  
Office hours: by appointment – Saturdays 7:00-8:00am and after class  
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**Course:** Fin3710 Investment Analysis-  
Saturdays 11:10am – 2:05pm

#### Course Objective:

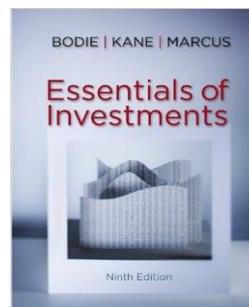
The objective of this course is to teach the fundamental concepts and tools that represent the core of investment analysis. Individuals taking this course will develop an understanding of all the basic terminology used everyday on Wall Street; develop a sense of risk and rewards mechanisms that applied across major asset classes. These basic tools, as well as “time-value of money” and risk & rewards assessment will be used to construct and manage a portfolio of investments. Also, the course will familiarize the students with ways in which analytical techniques are applied to a variety of problems in financial management. The Course will supply institutional material necessary for solid understanding of the environment in which financial decisions are made.

#### Course Overview:

The course is divided into three parts consisting of two to four chapters each from the accompanying textbook (Essentials of Investments). Each part, which will be taught in two sessions, is a self-contained unit that will normally comprise one segment of a course in financial management. The parts are arranged in what the instructor believes is the most logical sequence starting from understanding investment analysis concepts, to applying those to construct a portfolio of investments and how to manage these investments in order to maximizing return. The three parts are highlighted in the “Course Outline” section, pages 4-6, of this syllabus.

#### Required Text:

Essentials of Investments  
*Zvi Bodie, Alex Kane & Alan Marcus*  
Bookstore



### Optional Books:

**The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed It**

*Scott Patterson*

Amazon Link: <http://www.amazon.com/Quants-Whizzes-Conquered-Street-Destroyed/dp/0307453375>

**Investment Banking: Valuation, Leveraged Buyouts, and Mergers & Acquisitions**

Joshua Rosenbaum & Joshua Pearl

Wiley Finance

Amazon Link: <http://www.amazon.com/Investment-Banking-Valuation-Leveraged-Acquisitions/dp/0470442204>

### Materials to be provided by the Instructor:

- IPO offering prospectus on a live deal
- Bond Prospectus on a live deal
- Excel spreadsheets of various portfolio management analyses Equity and Bond Analysis / DCF / CAPM models / Derivative

### Course Requirements:

#### Attendance:

Students are expected to attend and to participate in classroom discussions. It is important to attend every class because the Exams are based on the instructor's lectures and classroom notes. Class participation will count as part of the course grade. Attendance accounts for 10% of your grade.

#### Homework:

Reading assignments and application projects will be assigned. Check Homework assignments and datelines on the professor's website at [www.ProfessorDrou.com](http://www.ProfessorDrou.com) under FIN 3710. Homework accounts for 10% of your grade. Also check datelines on the syllabus schedule below.

#### Handouts

The instructor will provide handouts before the class. All Handouts and lecture notes are posted on the website: [www.ProfessorDrou.com](http://www.ProfessorDrou.com) under FIN 3710.

#### Project:

Construct a Portfolio Analysis using on Excel spreadsheet (See Exhibit I)

#### Exams:

There will be a midterm and a final exam.

**Midterm Studies:** Text Book Chapters 1-9.

**Final Exam Studies:** Text Book Chapters 10-17 (except 12).

**Grading:**

Mid Term Exam *	30%
Final Exam*	30%
Homework	15%
Attendance	10%
Project	15%
Total	<u>100%</u>

**\*CD Factor:**

This is to give the benefit for students of significant improvement between Mid-Term Exam and Final. The Weighted averages are as follows (based on pre midterm curve score):

Improvement	Mid-Term Weighting	Final Exam Weighting
35% and higher	10%	50%
30-34%	15%	45%
25%-29%	20%	40%
20%-24%	25%	35%
19% or lower (including negative)	30%	30%

**Academic Integrity**

Cheating and plagiarism are serious offenses. The following definitions are based on the College's Academic Honesty website:

Cheating is the attempted or unauthorized use of materials, information, notes, study aids, devices or communication during an academic exercise.

Examples include but are not limited to:

- Copying from another student during an examination or allowing another to copy your work
- Unauthorized collaborating on a take home assignment or examination
- Using unauthorized notes during a closed book examination
- Using unauthorized electronic devices during an examination
- Taking an examination for another student
- Asking or allowing another student to take an examination for you
- Changing a corrected exam and returning it for more credit
- Submitting substantial portions of the same paper to two classes without consulting the second instructor
- Preparing answers or writing notes in a blue book (exam booklet) before an examination
- Allowing others to research and write assigned papers including the use of commercial term paper services

Plagiarism is the act of presenting another person's ideas, research or writing as your own, such as:

- Copying another person's actual words without the use of quotation marks and footnotes (a functional limit is four or more words taken from the work of another)
- Presenting another person's ideas or theories in your own words without acknowledging them
- Using information that is not considered common knowledge without acknowledging the source
- Failure to acknowledge collaborators on homework and laboratory assignment

My policy is to give a 0 grade to any assignment that has been plagiarized or an exam in which you have cheated. In addition, I am required by College policy to submit a report of suspected academic dishonesty to the Office of the Dean of Students. This report becomes part of your permanent file.

#### **Other Information**

- Cell phones must be turn off during class

#### **Course Outline**

Go to [www.ProfessorDrou.com](http://www.ProfessorDrou.com) for the outline including lectures, text book chapters, homework and projects due dates and description as well as exams.

## Course Outline

### EXHIBIT I – Project

Construct a portfolio of Stocks and Cash (Excel) using the following information:

1. Initial Capital \$50,000 (Equity)
2. Obtain a loan (up to 50% Margin) for 7.0% interest per annum.
3. Starting Date (July 2, 2018)
4. Value Date (Dec 3, 2018)
5. Maintain Diversification discipline\*
6. Always maintain at least 10% Cash at all times. Cash interest income at 1.5% per annum.
7. Trading stocks at least 5 times during this period (5 initial stock positions need to be replaced during this period)
8. Assume no trading costs or any additional expenses (except interest on the margin loan)

You Spreadsheet should include the following:

1. Initial Transaction Sources and Uses (July 2, 2018)
2. List of stocks (Symbols)
3. Business Description and Industry categorization for each stock
4. Monthly Cash Flow which will include any dividends, gains and losses on trades, interest payments, interest income of cash balance.
5. Overall monthly performance (including a graph)
6. S&P 500 Index on Jul 2, Aug 1, Sep 3, Oct 1, Nov 1, Dec 3

At Value Date calculate the following:

1. Total Portfolio HPR
2. Total Portfolio Standard Deviation of average returns.
3. Portfolio performance as compared (including a graph) to S&P500 index during this period - (Beta Coefficient calculation, Regression Analysis between portfolio and S&P500)
4. Sharpe Ratios.

*Suggested website to use: <http://finance.yahoo.com>*

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\*Diversification Discipline:

- No less than 10 stocks in the portfolio at all times
- Each stock value cannot represent more than 20% of the total portfolio.
- Each industry value cannot represent more than 25% of the total portfolio
- **Across 8 different industry sectors and one of the industry sector should have at least 2 companies.**