



Dillard College of Business Administration

FINC 4833.101
Security Analysis and Portfolio Management
Fall 2024

Class Hours:

Monday and Wednesday,
11:00 am to 12:20 pm, Dillard Building 121/STAR Lab

Contact Information

Instructor: Adam Y.C. Lei, Ph.D., CFA
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Office Hours: Monday, 12:30 pm to 01:30 pm,
Tuesday, 01:00 pm to 02:00 pm,
Wednesday, 12:30 pm to 01:30 pm, and by appointment

Course Materials

Required:

- 1) Lecture Notes (PowerPoint slides; available through D2L),
- 2) *Investment Analysis and Portfolio Management*, 11e, by Frank Reilly, Keith Brown, and Sanford Leeds, Cengage Learning. ISBN: 978-1305262997 ([Web Link](#) for students choosing the eBook option; we do not need the publisher's MindTap access), and
- 3) Stock-Trak subscription (per team).

Recommended: The Wall Street Journal.

Course Prerequisites

Junior standing or above or consent of the chair; FINC 4733. Must earn a C or higher in FINC 4733.

Course Description

Security valuation and selection; theory and practice of portfolio management including asset allocation, diversification, and portfolio performance evaluation.

Course Objective

A. General Learning Goals:

Upon successful completion of this course, students should:

- 1) Demonstrate problem solving and decision making abilities through the critical analysis, evaluation, and interpretation of business information.
- 2) Demonstrate a competency in speaking and writing for common business scenarios.
- 3) Know how to use team building and collaboration to achieve group objectives.
- 4) Be able to utilize available technology for common business applications.

B. Course Specific Learning Goals:

Upon successful completion of this course, students should have developed the understanding of:

- 1) The importance of an investment policy statement.
- 2) Asset allocation and portfolio diversification.
- 3) Single and multi-factor asset pricing models.
- 4) Common stock valuation and analysis.
- 5) Portfolio performance evaluation.

Other Requirements

Each student should have a calculator capable of calculating the time value of money (a financial or scientific calculator will do) in class. A student is expected to be familiar with his/her own calculator's functions.

Grading and Evaluation

Course Grading:

Component	Percentage
Self-Introduction Video	1%
Midterm Exam	30%
Participation	9%
<u>Team-Based:</u>	
Analyst report	30%
Portfolio performance and report	30%
Total	<u>100%</u>
Bonus: Bloomberg Market Concepts (BMC)	2%
Bonus: Course Evaluation	0.5%

Numerical Grade	Meaning	Letter Grade
90 to 100	(Excellent)	A
80 to 90	(Good)	B
70 to 80	(Satisfactory)	C
60 to 70	(Passing)	D
Below 60	(Failing)	F

All grades are firm and nonnegotiable. There is no rounding in grades, and there are no bonus points or extra credits other than the specified grade components at the end of semester. To maintain the fairness to the entire class, the same grading criteria will be applied to every student, and no personal reason will be considered for grading purposes. No grade will be disclosed by email or by phone.

Self-Introduction Video:

Each student in this course is required to prepare a self-introduction video, and submit the one single video file through the Dropbox in D2L (to the folder “Self-Introduction Video” under the “Assessments” and then “Assignments” tabs in D2L). In the video, a student should *show his/her full face with proper lighting, state his/her full name and major(s), and make an introduction of oneself. The video should be no less than 10 seconds but no more than 30 seconds in length.* The self-introduction video is worth one point toward the semester grade, and only videos meeting all of the above requirements will earn the full point. Students who cannot meet all of the requirements because of religious or medical reasons should submit a one-page typed and signed statement requesting an exemption of the requirements to the instructor before the video due date specified below. The approval of the request depends on whether the submitted statement provides the necessary and sufficient information justifying the exemption.

*The video is due at 04:30 pm U.S. central time on **August 31, 2024 (Saturday)**.*

Students can submit the video file as soon as the semester begins, and no late submission will be accepted for any reason. *Students contacting the instructor in attempts to make a late submission of the self-introduction video will lose one point in the participation grade.*

Exam:

There will be one midterm exam during this semester in the assigned classroom (please see the end of this syllabus for the exam date). The exam will include questions on any covered material, e.g., lecture notes, classroom discussions, and reading assignments. Each student will need a calculator and ScanTron for the exam. The use of cell phones and any form of sharing are not allowed during the exam.

The exam must be taken as scheduled, and no student will be exempt from the exam. *There is no make-up exam in this course after the fact, and students missing the exam at the scheduled time without prior consent from the instructor will receive an exam grade of zero for the exam.* Students with valid excuses or authorized absences due to

required participation in university-sponsored activities (please see *Midwestern State University Undergraduate Catalog* for the definition) should make prior arrangements with the instructor to take the exam at an alternative time. A valid excuse for exam purposes is defined as an *unforeseeable, proved, and documented* event that requires the student's *presence* in a place other than the classroom during the exam time, and such event is deemed acceptable by the *instructor*. *Misreading, forgetting, or inattention to the exam date and time specified in the syllabus will not be considered a valid excuse for a missed exam. No illness-related excuses will be accepted unless a student has a doctor's note or is a hospital inpatient during the scheduled exam time.* In the case of a valid excuse, the instructor must be notified of the excuse *before* the scheduled exam time and the document justifying the excuse must be turned to the instructor within one week from the exam. A student failing to notify the instructor the excuse before the scheduled exam time or not providing the document justifying the excuse in time will receive an exam grade of zero for the exam.

Participation:

A student's grade on class participation depends on five factors: 1) Attendance, 2) Performance on raising and answering questions in class, 3) Obedience of class rules and instructions, 4) Grades on random assignments, and 5) Contribution to team-based grade components. There is no guarantee that a student attending every class will automatically receive the full credit on class participation. Students who do not actively contribute to the team-based grade components as defined later may lose up to six points in the participation grade. In addition, a student loses one point in the participation grade for each violation of class rules and instructions. It is a student's responsibility to know the class rules and instructions.

Class Attendance, *Midwestern State University Undergraduate Catalog*

Students are expected to attend all meetings of the classes in which they are enrolled. Although in general students are graded on intellectual effort and performance rather than attendance, absences may lower the student's grade where class attendance and class participation are deemed essential by the faculty member. In those classes where attendance is considered as part of the grade, the instructor should so inform students of the specifics in writing at the beginning of the semester in a syllabus or separate attendance policy statement. An instructor who has an attendance policy must keep records on a daily basis. The instructor must give the student a verbal or written warning prior to being dropped from the class. An instructor's records will stand as evidence of absences. A student with excessive absences may be dropped from a course by the instructor. Any individual faculty member or college has the authority to establish an attendance policy, providing the policy is in accordance with the General University Policies.

For the record keeping purpose, each class period a roll sheet will be passed through the class and each student will need to sign on the roll sheet. Signing any other student's name on the roll sheet is considered as an act of disruptive conduct in this

course. Inconsistent signature styles on the roll sheet will be deemed as evidence against a student's attendance.

Instructor Drop, Midwestern State University Undergraduate Catalog

An instructor may drop a student any time during the semester for excessive absences, for consistently failing to meet class assignments, for an indifferent attitude, or for disruptive conduct. The instructor must give the student a verbal or written warning prior to dropping the student from the class. An instructor's drop of a student takes precedence over the student-initiated course drop of a later date. The instructor will assign a grade of either WF or F through the first 9 weeks of a long semester, the first 6 weeks of a 10 week summer term, or the 12th class day of a 4 or 5 week summer term consisting of 20 days. After these periods the grade will be an F. The date the instructor drop form is received in the Office of the Registrar is the official drop date.

Students who miss more than one third of the class periods without valid excuses will be dropped from this course with a failing semester grade. A valid excuse for participation purposes is defined as an authorized absence due to required participation in university-sponsored activities (please see Midwestern State University Undergraduate Catalog for the definition), or an *unforeseeable, proved, and documented* event that requires the student's *presence* in a place other than the classroom during the class period, and such event is deemed acceptable by the *instructor*. In the case of an excused absence, the instructor must be notified of the excuse and the document justifying the absence must be turned to the instructor, both within one week from the absence.

Students who fail to meet class assignments, show indifferent attitudes, or reveal disruptive conducts will be given warnings each time such instance occurs. Students with more than two warnings will be dropped from this course with a failing semester grade.

Team-Based Grade Components:

Students are required to form teams of three members in this course to prepare the analyst report and the portfolio performance evaluation report.

Team Formation

If the class size at the beginning of the second week of class (for the class size to stabilize) is not a multiple of three, then at most $N = \text{Remainder of } (\text{class size}/3)$ teams can have four members. The composition of a team cannot be changed once the team is formed, and each team is at its own risk that its members 1) may later withdraw or be dropped from this class during the semester; 2) might not contribute evenly to the team-based grade components. Each team should choose its members wisely and is held responsible for its own formation and any consequence that may follow. The team formation deadline is **September 4 (Wednesday)** at the beginning of class. Each team

should send the instructor an email on or before the deadline with a list of team members for the official record. Students who are not in a team by the deadline will form teams of one member, and those students will face a grade penalty on failing to meet the team formation deadline. *Individual teams will be evaluated on the same basis regardless of team size, and students in the same team will receive the same grade on the team-based grade components regardless of their responsibilities within the team.* The formation of team is on a first come, first served basis.

Portfolio Construction and Presentation

Each team is required to construct an equity portfolio (no leveraged security is allowed) through Stock-Trak over the course of this semester, with no less than 15 domestic stocks accounting for 90% or more of the portfolio value on the market close of **November 22 (Friday)**. At the beginning of each Monday class, starting **September 16 (Monday)**, each team will present its stock selection, portfolio performance, and other related issues to the entire class. The performance of the portfolio from **September 1 (Sunday)** to the market close on **November 22 (Friday)** is subject to an evaluation and contributes to the team-based grades under Portfolio Performance and Report.

Stock-Trak Information

“Stock-Trak is the web’s most realistic and the most comprehensive stock market simulation for college business students worldwide. ... Students gain first-hand, real world knowledge of how the markets work, how to place orders, practice theories and strategies learned in class, and compete with their classmates. ... Each year over 1,100 professors and their 60,000+ students use StockTrak.com in their finance, business, economics, and/or accounting classes. In the U.S., over 80% of the top Business Schools use StockTrak.com.”

Class name/code: “MSUTEXAS-FINC4833-Fall2024”

[Stock-Trak Registration Web Link](#)

Service level: Silver

Maximum number of trades: 300

Registration start date: 08/26/2024

Trading start/end dates: 09/01/2024 to 11/22/2024 (order placement starting 09/01/2024)

There is a cost of \$33.95 per account that each team needs to pay individually during the account registration. Each team should establish only one account in the name of one of the team members. All members in a team, however, should share the cost of establishing the account.

Simulation parameters:

Initial cash balance: \$1,000,000
Interest rate earned on cash: 3%
Allowable investments: U.S. equity
Minimum stock price for buying: \$1.00
No margin trading, no short selling, and no day trading
Position limit: Each security no more than 10% of portfolio value
Commission: \$0.00
Performance benchmark: S&P 500 total return index (Bloomberg: SPXT)

Analyst Report:

Each team is required to prepare an analyst report making a buy recommendation for a stock held in its investment portfolio, and present the report to the entire class on the scheduled date. *All students, presenting or not, are required to dress professionally during the presentations. Students missing the presentations without a valid excuse will lose one point in the participation grade for each instance of absence during the specific class periods.* Each team should identify the stock for its analyst report as soon as possible, and email the stock selection to the instructor for the official record. No two teams can select the same stock, and the selection is on a first come, first served basis. Each team should submit its analyst report, which should be original and self-explanatory, in hard copy to the instructor on the last day scheduled for the analyst report presentation, i.e., **November 20 (Wednesday)**, at the beginning of class. The entire team is held accountable for the content of the analyst report it submits. In addition, each team should submit the Word file for the report, the supporting Excel files (including at least a file for the financial statements from Bloomberg and a file for the intrinsic value calculation), and the presentation PowerPoint slides through the D2L Dropbox by the same deadline. *Please also note that the analyst report is a semester-long project: A team waiting until the middle or the end of semester to start the project is at its own peril.*

The submitted report is subject to the following format requirements:

- 1) Margin: 1 inch
- 2) Font size: 12
- 3) Font: Times New Roman
- 4) Line spacing: Double
- 5) Page number: Included (excluding cover and summary pages)
- 6) Page limits: Minimum 15 pages and maximum 25 pages (excluding cover and summary pages)
- 7) One-side printing in “normal” mode. No print in “draft” mode will be accepted.

The analyst report grade for the semester depends on the overall quality of the presentation and the written report, especially on writing, content, and justification, evaluated by the holistic rubric using the instructor’s professional judgment.

Portfolio Performance and Report:

Each team is required to prepare a performance evaluation report for its investment portfolio from **September 1 (Sunday)** to the market close of **November 22 (Friday)**, and present the report to the entire class on the scheduled date. *All students, presenting or not, are required to dress professionally during the presentations. Students missing the presentations without a valid excuse will lose one point in the participation grade for each instance of absence during the specific class periods.* Each team should submit its performance report, which should be original and self-explanatory, in hard copy to the instructor on the last day scheduled for the performance report presentation, i.e., **December 4 (Wednesday)**, at the beginning of class. The entire team is held accountable for the content of the performance report it submits. In addition, each team should submit the Word file for the report, the supporting Excel file(s), and the presentation PowerPoint slides through the D2L Dropbox by the same deadline. *Please also note that the portfolio performance and report is a semester-long project: A team waiting until the middle or the end of semester to start the project is at its own peril.*

The submitted report is subject to the same format requirements as the analyst report. The portfolio performance and report grade for the semester depends on the performance ranking of the simulated portfolio, and the overall quality of the presentation and the written report, especially on writing, content, and justification, evaluated by the holistic rubric using the instructor's professional judgment.

Bonus: Bloomberg Market Concepts (BMC):

The Bloomberg Market Concepts (BMC) is a library of e-learning course sections that provide an introduction to the financial markets. The three required BMC course sections for the bonus credit are: Core Concepts (includes four modules – Economic Indicators, Currencies, Fixed Income, Equities), Terminal Basics, and Portfolio Management. These sections are approximately 16-hour long in total and are available through the Bloomberg terminal at BCER <GO>. For further information, please refer to the documents related to BMC, available on D2L under the content module "Course Information."

Students who intend to secure the bonus credit should register for the Bloomberg course using the class code "**XV45QPKZLB**" without the quotation marks (at no cost through the Bloomberg terminal by using the Bloomberg function <BCER>). *Students who register without using the class code will not receive the bonus credit.* The sections can then be completed over time through the Bloomberg terminal by using the same <BCER> function to enter into the course. Once all the modules are completed, a certificate of completion will be available for download. Only students who register with the class code and email to the instructor the certificate of completion before the beginning of class on **November 18 (Monday)** will receive the bonus credit.

Bonus: Course Evaluation:

At the end of each semester/term, the university emails course evaluation links to students, and students in this course earn the course evaluation bonus credit based on an honor system after they complete the evaluation of this course. *Specifically, a quiz item "Course Evaluation," which asks whether a student has completed the evaluation of this course through the course evaluation link emailed by the university, is available on D2L under the "Assessments" and then "Tests" tabs from 12:00 am U.S. central time on **December 1, 2024 (Sunday)** to 04:30 pm U.S. central time on **December 5, 2024 (Thursday)**. A student who has completed the evaluation of this course and answers affirmatively in the quiz would earn the course evaluation credit. The quiz has a continuous 60-minute time limit once it starts, and the time limit cannot be interrupted. The quiz can be answered unlimited times before 04:30 pm on **December 5, 2024 (Thursday)**, but only an affirmative answer will be recorded for the quiz grade. The 04:30 pm quiz deadline applies to any and all students. An unsaved/unsubmitted quiz by the quiz deadline will have a quiz grade of zero. *Please note that students who forgot to do the course evaluation or who did the course evaluation but forgot to complete the quiz will not earn the course evaluation credit. There is no make-up quiz after the quiz ends, and students contacting the instructor in attempts to do a make-up quiz will lose one point in the participation grade.* The course evaluation credit is worth half of one point toward the semester grade.*

Other Course Policies

- 1) Please bring a calculator to class.
- 2) It is obviously in a student's best interests to attend class regularly.
- 3) Students are expected to read the class material before and after the scheduled classes.
- 4) Announcements not made in class will be posted online through D2L. Students have the responsibility to check the postings and class material regularly.
- 5) Students who need to leave the classroom early and will not be back for that class period should notify the instructor before the class starts. Arriving late and leaving early without prior instructor acknowledgement are considered as acts of disruptive conduct in this course.
- 6) *Video, audio, and image recording other than taking hand-written or typed notes in the classroom is not allowed without the prior consent of the instructor. Redistribution of course material provided by the instructor in any form outside this class constitutes copyright infringement and is prohibited.*
- 7) *Any document that students prepare for this class and submitted to the instructor will become a permanent record of this course. Those documents and records may serve as examples for future students anonymously.*

Academic Integrity

Students shall follow the "Student Honor Creed" in the Midwestern State University Undergraduate Catalog. A student who commits academic dishonesty is subject to

conduct sanctions (please refer to the Midwestern State University Student Handbook for the definitions of Academic Dishonesty, Conduct Sanctions, and Academic Misconduct Procedures).

Americans with Disabilities Act

This course follows the university policies and guidelines suggested by the Disability Support Services Office for qualified students. Students are referred to the Midwestern State University Undergraduate Catalog for details.

Campus Carry Policy

Senate Bill 11 passed by the 84th Texas Legislature allows licensed handgun holders to carry concealed handguns on campus, effective August 1, 2016. Areas excluded from concealed carry are appropriately marked, in accordance with state law. For more information regarding campus carry, please refer to the University's webpage at [Campus Carry Rules/Policies Web Link](#).

Syllabus Change Policy

This syllabus is a guide for this course and is subject to change with advanced notice.

References

Midwestern State University Student Handbook: [Student Handbook Web Link](#)
Midwestern State University Undergraduate Catalog: [Undergraduate Catalog Web Link](#)

Course Content and Outline

I. The Investment Background

Chapter 2: Asset Allocation and Security Selection

II. Developments in Investment Theory

Chapter 6: An Introduction to Portfolio Management

Chapter 7: Asset Pricing Models

III. Valuation and Management of Common Stocks

Chapter 8: Equity Valuation

Chapter 9: The Top-Down Approach to Market, Industry, and Company Analysis

Chapter 11: Equity Portfolio Management Strategies

VI. Specification and Evaluation of Asset Management

Chapter 18: Evaluation of Portfolio Performance

Course Schedule

Month	Date	Schedule	Date	Schedule
8	26	Introduction	28	Chapter 2
9	2	Labor Day	4	Chapter 2 (Team formation due)
	9	Chapter 6	11	Chapter 6
	16	Chapter 7	18	Chapter 7
	23	Chapter 8	25	Chapter 8
9/10	30	Midterm Exam	2	TBA
10	7	Bloomberg (STAR Lab)	9	Bloomberg (STAR Lab)
	14	Analyst report (Ch 9)	16	Analyst report (Ch 9)
	21	Analyst report (Ch 9)	23	Analyst report (Ch 9)
	28	Performance Evaluation (Ch 11)	30	Performance Evaluation (Ch 11)
11	4	Performance Evaluation (Ch 18)	6	Performance Evaluation (Ch 18)
	11	Bloomberg (STAR Lab)	13	Bloomberg (STAR Lab)
	18	Analyst Report Presentation (BMC Certificate due)	20	Analyst Report Presentation (Analyst Report due)
	25	Bloomberg (STAR Lab)	27	Thanksgiving
12	2	Performance Report Presentation	4	Performance Report Presentation (Performance Report due)

Exam Date

Midterm Exam: **September 30 (Monday)**