



FINA 5511A
INVESTMENTS
Fall (1) 2014

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Office hours: Monday or Tuesday 5 – 6 p.m. or after class or by appointment
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Prerequisites:

ACCT5001, ACCT5002, BUSI5801, FINA5501 and FINA5502.

The School of Business enforces all prerequisites.

Cellular Phones:

The use of cellular phones IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry a phone to class, please make sure it is turned off. If an emergency situation requires you to keep your cell phone turned on you may wish to keep the silent mode on, please discuss this with the instructor prior to the class starting.

Drop Course Policy

Students can drop a course up until the END of the second week of classes. Students that drop a class in the third week will receive a WDN but will automatically have the grade changed to ABS. A grade of ABS is considered a failing grade. A required course will have to be taken again. Students with medical reasons and supporting documentation may petition the School to have the ABS grade changed back to WDN.

Course Description

The course is oriented towards equipping prospective investment analysts and you as individual investors with the analytical foundations and tools necessary for successful decision making as it pertains to understanding and investment in “specific securities”. The thrust of the course is analytical with significant practical-hands-on component; the focus is on understanding investments in ‘securities’ as opposed to “portfolio management”.

Required Text:

Bodie et al., **Investments**, 7th Canadian Edition, McGraw-Hill, Ryerson, 2011.

In addition, some specific readings will be assigned to specific sessions. These readings will be available to download from the course web site.

Other books you may want to read:

Malkiel, B., **A Random Walk Down Wall Street**, Norton.

Graham, B., **The Intelligent Investor**, Harper Collins

Graham, B. & D. Dodd, **Security Analysis**, McGraw-Hill

Grading:

- | | |
|--|-------------|
| • Project | 30% |
| • In-class Quizzes, weeks 2-6
(3/4 in total, keep best 2/3) | 30% |
| • Final Examination | <u>40%</u> |
| • Total | 100% |

Final Exam Date: Tuesday, October 21, 2014 1805-2055, DT701

There will be no make-ups for missed quizzes. The project must be formally submitted in hard copy no later than Oct. 20th, at 6PM. E-mailed and late submissions will not be graded. Students will form groups of not less than 3 or more than 4 students for the project work (you cannot do it alone).

Project

Choosing two comparable firms in the same industry from either the SP/TSX60 or S&P500, each group will be asked to submit model based report on these companies. The model based analysis should make full use of the models introduced in the text and in class (CAPM, APT, Dividend Growth model, etc.), as well as calculate some basic statistics (variance, covariance, skewness, etc.) and comment on it. You may also want to create a portfolio of these two securities along with risk free rate and/or the industry index. The difference between a good project and a not so good project would be based on the initiatives/innovation/uniqueness shown in the report. You may also wish to visit certain websites such as; www.marketwatch.com, www.bloomberg.com, www.yahoo.com/finance as starting points for detailed research. Further, you have access to the Bloomberg terminal in the library, and Data stream here in Dunton tower for firm specific information. The ultimate purpose of the report is to ensure that you get a hands-on experience on working with real data. **You are not required to do any financial statement based analysis; this is not a valuation exercise; it is meant to give you a hands on experience using stock market data.**

The text of the report must be in hard copy form, e-submissions will not be accepted, and cannot be more than 3500 words (approximately 10 pages of text). Appendices including data analysis and graphs are acceptable, and do not count toward the 10 page limit, 1.5 lines spacing. I do not need to see the data used, just source it so that I can verify your numbers if the data does not look right. Please ensure that all references are included, and provide the URL if a webpage is used. The report must be formally submitted in hard copy no later than Oct. 20th, at 6PM. E-mailed and late submissions will not be graded. You are more than welcome to also submit an e-copy including excel workbook, if you choose; if you decide to do that, send it in one zip file.

NOTE: Selected Problem sets will be placed on Moodle (Carleton.ca/cuLearn) on a regular basis. It is expected that all students complete the sets, and to follow daily business news through newsprint sources such as Barron's, The Economist, Report on Business, Financial Post, Wall Street Journal, Financial Times, etc., in order to be adequately prepared for class.

Deferred Final Examination:

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor and the MBA office in writing to request a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate document/s to support the reason for the deferral. Deferred exams are not granted for students who have made travel arrangements that conflict with examination schedule.

Course Outline

This is a tentative outline. As the course evolves, you will be notified about specific sections in the chapters that may not be covered and the corresponding breadth and depth of coverage.

Topic	Chapter	Session
Introduction to the course	1	1
Markets and Instruments <ul style="list-style-type: none"> • Money Market • Fixed Income • Equities • Derivatives (just introduction) 	2	1
How Securities Are Traded <ul style="list-style-type: none"> • Issuing Securities • Trading and Market Orders • Regulations 	3	1/2
Choice Under Uncertainty <i>It is imperative that you read chapters 11-12 from your 5502 textbook where we reviewed the 2 security and 3 security portfolio construction and CAPM; We will not spend much time on it.</i> <ul style="list-style-type: none"> • Utility Theory, Risk Aversion, and Portfolio Mathematics (briefly) • Probability Theory • Risky Portfolios and the Risk-Free Asset (very little time) • Efficient Allocation • CAPM (very little time) • Multi factor Index Models 	4 – 8 (also see assigned readings)	2/3
Market Efficiency and Investment implications	9 (also see assigned readings)	3/4
Bonds <ul style="list-style-type: none"> • Prices and Yields • Term Structure 	12 - 13	4/5
Derivative Assets (time permitting)) and course review <ul style="list-style-type: none"> • Options 	17 And maybe 18.4	5/6

Suggested readings:

Session 2-4

- Kobana Abukari and Vijay Jog, Canadian Stocks: Facts vs. Folktales, Canadian Investment Review, 2010
- Kobana Abukari and Vijay Jog, Seasonality and Canadian Stock Performance, Canadian Investment Review, 2011
- On the seasonality of Equities; Econompicdata, October 4, 2011
- Allan Millar, Equity Risk Premium Historical Data: 1976 to 2012, May 07, 2013, Investing Research
- Andrew Clare, Nick Motson and Steve Thomas, An evaluation of alternative equity indices; Part 1: Heuristic and optimised weighting schemes and Part 2: Fundamental weighting schemes, March 2013
- Brad Barber and Terrance Odean, Trading Is Hazardous to Your Wealth: The Common Stock Investment Performance of Individual Investors, the Journal of Finance, Vol. LV, 2, April 2000
- Estrada, Javier, "The Three-Factor Model: A Practitioner's Guide", Journal of Applied Corporate Finance, Vol. 23, No. 2, 2011, pp. 77 – 84

IMPORTANT ADDITIONAL INFORMATION

Policy on Mobile Devices

The use of mobile devices IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry such a device to class, please make sure it is turned off. If an emergency situation requires you to keep it turned on, please discuss this with your instructor prior to class.

Group Work

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your instructor may assign one or more group tasks/assignments/projects in this course.

Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Person with Disabilities

Students with disabilities requiring academic accommodations in this course are encouraged to contact a co-ordinator at the Paul Menton Centre for Students with Disabilities to complete the necessary letters of accommodation. After registering with the PMC, make an appointment to meet and discuss your needs with me at least two weeks prior to the first in-class test or ITV midterm exam. This is necessary in order to ensure sufficient time to make the necessary arrangements. Please refer to <http://www.carleton.ca/pmc/> for all PMC information.

Religious Observance

Students requesting academic accommodation on the basis of religious observance should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton's Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.

Pregnancy

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete *a letter of accommodation*. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another’s ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include expulsion; suspension from all studies at Carleton; suspension from full-time studies; a refusal of permission to continue or to register in a specific degree program; academic probation; and a grade of Failure in the course, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at <http://www2.carleton.ca/sasc/advisingcentre/academic-integrity/>.