School of Business and Nonprofit Management
SBNM 5320 – Investments & Portfolio Management

Fall 2013-14

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Course Description:

This course covers the key concepts and transactions necessary to create and continuously manage a portfolio of investments that yields maximum returns at acceptable levels of risks over various periods. Topics will include common stocks, mutual funds, preferred stocks, bonds, put options, call options, futures contracts on traditional commodities and financial futures. The course will also cover the analysis of financial assets, the markets in which they are traded, the valuation of the assets and the construction of a diversified portfolio. This course covers the key principles and practices of institutional portfolio management. Coverage will be given to analysis of customer portfolio needs and risk tradeoffs. The risk-reward characteristics of the portfolio, performance measures, trading practices and liquidity considerations will be highlighted. Empahsis will be placed on the ethical and fiduciary responsibilities of the portfolio manager, especially in light of the Christian heritage of North Park.

Learning Objectives:

By the end of this course, students will be able to:

1. Describe the foundational investment institutions and products of the US markets
2. Deploy risk-return theory as a basis for making rational investment decisions
3. Perform bond valuation and recognize how the time value of money affects security prices
4. Perform common stock value analysis on par with market analysts
5. Employ discretionary investment management to construct a portfolio that meets investor goals
6. Interview an investor, be they individual or institutional, and construct an investment plan to meet their unique needs and constraints
7. Incorporate a code of ethics and sound Christian conduct in conforming to professional standards in acquisition and disposition of securities

Required Text:

Bodie, Zvi, Kane, Alex and Marcus, Allen J., Investments, 7th edition, McGraw-Hill. ISBN 0073530611.

Attendance Policy:

As critical discussion and review of homework are key facets of this class, students will be expected to attend every session. If you are unable to attend, please inform me prior to that session. Excessive unexcused absences may lead to a full reduction in the grade you earn. On time arrival for every class is expected.

I treat all my students as adults. As adults, we know we cannot control all of life's events. If a life situation, such as an emergency, arises that prevents you from wholly attending or participating in portions of the class, please come and talk to me. I will happily work with you to insure that you learn all the material.

This attendance requirement is strictly enforced during the Portfolio Management Simulation in the second half of the class. You must be present every day to execute your trading. *If you are not able to attend class you must: 1. inform me ahead of time 2. communicate, preferably via email or through a fellow student, your desired trades for that Trading Day. Failure to do so will lead to a reduction in the grade you earn.*

Course Outline:

Week		**CH**	**Readings for the Week**	**Assignments**[1]
1		1 2	Investments: Background and Issues Global Financial Instruments	Create 1st Portfolio
1		2 3	Global Financial Instruments (cont'd) How Securities are Traded	
2		4 9	Mutual Funds and Other Investment Companies Bond Prices and Yields	
2		14 16	Options Markets Futures Markets	
3			Review Test 1	**Test 1**
4		5	Risk and Return: Past and Prologue	
4		7 8	Capital Asset Pricing and Arbitrage Pricing Theory The Efficient Market Hypothesis	
5		17	Investors and the Investment Process Test 2	**Test 2**
5			Intro to Portfolio Management Simulation	**Spreadsheet** **Portfolio Project Due**
6			Portfolio Management Simulation: Transaction Days	
7			Final Portfolio Due - 10:30 Am - 12:30 PM	**Portfolio Due**

[1]Assignments are due at the beginning of the class period. Assignments and the Course Outline are subject to change during the course of the semester.

Grading:

Tests (2 worth 100 points each):	35%
Spreadsheet Portfolio Project	20%
Portfolio Management Simulation (200 points):	35%
Homework, Participation & Attendance:	10%
Total:	100%

Assignments and tests can be made up only if prior permission is obtained.

Spreadsheet Portfolio Project

As soon as possible, as it will be essential to the second half of this course, you need to begin working on an Excel Spreadsheet that will track your portfolio and investment activity. In addition to all the qualitative data (name, course, etc.), the .xls should be fully functional in describing, at any point in time, a. your current portfolio holdings, b. the current value of your portfolio, c. the approximate return on your initial investments, d. the cumulative transactions costs, by listing e. the recent transactions you have made. We will cover extensively proposed formats for this critical assignment.

Students who do not have the Spreadsheet Portfolio Project completed by October 21 will not be allowed to participate in the Portfolio Management Simulation.

Portfolio Management Simulation

Rules

1. Opening cash balance of $100,000.
2. Ongoing minimum cash balance of $10,000.
3. Percentage invested in cash cannot exceed 50% of total portfolio.
4. Each student must make at least 4 transactions per Trading Day.
5. All transactions must be accompanied by a signed, date Transaction Request. These should be retained and stored conveniently for audit purposes.
6. Each student must create and maintain and update their Portfolio spreadsheet. I will review the accuracy of your spreadsheet prior to conducting your trades. Failure to have an updated portfolio may prevent trades on that trading day.
7. Bond and Preferred Stock investments yield one guaranteed annual cash flow payment. To earn, they must be purchased by October 21 and held throughout.
8. Margin available at 10% APR or .0278 % daily; 50% Initial Margin; Margin Call >70%.
9. No single position can consume > 20% of your portfolio.
10. You may not buy more shares than are actively traded on a Trading Day.
11. Be prepared for "Market Risk."
12. Commissions are paid on all trades. See Transaction List & Fee Schedule.
13. Arbitrage opportunities that occur due to data timing will not be permitted.
14. Assume you pay no capital gains or ordinary income tax.

Trading Days

1. A random **Trading Order** will be determined.
2. The **Market Opens** when the opening bell rings.
3. Upon reaching the **Trading Station**, each student will present his or her current **Spreadsheet Portfolio**. Failure to do so disqualifies the right to trade that day.
4. In a **Trading Round**, each student will initiate at least 4 transactions. A trading round ends, regardless of the number of transactions initiated, after 5 minutes.
5. A **Transaction Request** is required in order to initiate a transaction. Current Market Prices will be determined by best available data. All transaction requests must be signed by both trader and broker to be valid. Please have these completed prior to approaching the trading station.
6. **Market Closes** at 11:30 pm CST.

Transaction List & Fee Schedule

Transactions	**Instruments Included**	**Fees**
Market Buy Order	Common Stock, Preferred Stock, Federal, Municipal and Corporate Bonds, Mutual Funds, Put and Call Options	$100
Market Sell Order	Common Stock, Preferred Stock, Federal, Municipal and Corporate Bonds, Mutual Funds, Put and Call Options	$100
Exercise	Put and Call Options	$150
Short and Cover Short	Common Stocks	$150
Borrow on Margin	Cash	10 % APR or .0278 % daily; 50 % Initial Margin; Margin Call > 70%

Office Hours:

Wednesdays 9:00am-12:00pm
Fridays 11:30am-1:00pm

You may feel free to email me at any time. Other appointment times may be arranged via email. Face-to-face is my preferred method of communication for all matters.

Ethics:

In keeping with our Christian heritage and commitment, North Park University and the School of Business and Nonprofit Management are committed to the highest possible ethical and moral standards. Just as we will constantly strive to live up to these high

standards, we expect our students to do the same. To that end, cheating of any sort will not be tolerated. Students who are discovered cheating are subject to discipline up to and including failure of a course and expulsion.

Our definition of cheating includes but is not limited to:

1. Plagiarism – the use of another's work as one's own without giving credit to the individual. This includes using materials from the Internet.
2. Copying another's answers on an examination.
3. Deliberately allowing another to copy one's answers or work.
4. Signing an attendance roster for another who is not present.

In the special instance of group work, the instructor will make clear his/her expectations with respect to individual vs. collaborative work. A violation of these expectations may be considered cheating as well.

For further information on this subject you may refer to the Academic Dishonesty section of the University's online catalog.

In conclusion, it is our mission to prepare each student for a life of significance and service. Honesty and ethical behavior are the foundation upon which such lives are built. We therefore expect the highest standards of each student in this regard.

Academic Honesty

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Attendance Policy

The graduate courses in the SBNM are all 7 weeks in length. Missing one class session is allowed without penalty as long as all readings and assignments are made up by the student within a reasonable time period (the following week). Failing to log into an online course site for an entire week is allowed, but a penalty may be applied at the instructor's discretion. Missing a second class session is allowed only in unusual circumstances by prior arrangement with the instructor. Since this represents almost 25% of the engagement time for the course, the student runs the risk of receiving a significantly lower grade for the class. Faculty are encouraged to drop the course grade by a full letter grade in this situation. A student who misses three classes (or the equivalent for an online class) will automatically fail the course, unless the student drops the course before the seventh week of class. Students who drop a course will be held responsible for tuition, based upon the current North Park University policy outlined in the University Catalog (www.northpark.edu).

Disabilities

Students with disabilities who believe that they may need accommodations in this class are encouraged to contact the SBNM program office (773-244-6270). Please do so as soon as possible to better ensure that such accommodations are implemented in a timely manner. For further information please review the following website: http://www.northpark.edu/ada.

Use of *APA Publication Manual*

The School of Business and Nonprofit Management (SBNM) has adopted the *Publication Manual of the American Psychological Association* (APA) as the standard and required format for all written assignments in SBNM courses.

Our goal in adopting the *APA Manual* is to enhance student learning by:

1) Improving student's writing skills.

2) Standardizing the required format of all written assignments in all SBNM courses.

3) Emphasizing the importance of paper mechanics, grammatical constructs, and the necessity of proper citations.

4) Holding students accountable for high quality written work.

If you are unfamiliar with the requirements of the *APA Publication Manual*, we recommend that you purchase the reference manual and/or that you consult one or more of the suggested resources as listed on the Student Resources section of the SBNM website. ***It is your responsibility to learn and ensure that all written work is formatted according to the standards of the APA Manual.***