



**Investment Management: MGMT 571  
Fall 2015 – Tentative Syllabus\***

**\* I reserve the right to modify the syllabus appropriately if necessary**

**Class Time:** Monday and Wednesday 4:00 PM – 5:15 PM.

**Class Room:** GSM 232

**Instructor:** Dr. Subramanian R. Iyer

Office: ASM 2010

Office Hours: Monday & Wednesday- 10:00 AM – 11:30 AM & 1:00 – 2:30 PM.

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**1. Course Overview and Objectives**

This course aims to provide an introduction to the theory and techniques of investment management. We cover a broad knowledge of the subject but not too in depth in any one area. We will begin by understanding the investment environment and then delve deep into investment and portfolio theory, which form the pillars of modern finance.

**2. Pre-requisite**

MGMT 526 – Financial Management

**3. Textbook & Assignment Management**

I will be using “INVESTMENTS – Bodie, Kane, and Marcus – 10th edition” textbook along with McGraw-Hill Connect. Access to McGraw-Hill connect is mandatory. The book store provides different options to access the text book and McGraw-Hill Connect. At the end each of chapter assignments will be listed on Connect. You will have two attempts for each assignment in Connect. Once you have obtained access to McGraw Hill Connect please register yourself to my class. The web address is as follows - [http://connect.mheducation.com/class/s-iyer-unm\\_mgmt\\_571\\_sp2015](http://connect.mheducation.com/class/s-iyer-unm_mgmt_571_sp2015)

**4. Class Participation**

I believe attendance is critical. I will take attendance. We will discuss many important financial issues of the day. I expect you to know about those issues. The Wall Street Journal is good source of information. If you have seen anything interesting please bring them up in class. All of our discussions in class could be included for a test.

**A subscription to the Wall Street Journal is strongly recommended. Print edition of The Wall Street Journal is also available at the Parish Library.**

## 5. Stock Trak – Simulation Project

Stock Trak is a global portfolio simulation tool that works like any other stock brokerage platform. Stock Trak allows virtual trading in stocks, bonds, mutual funds, options, futures, and so on. You have cash of \$1,000,000. You should use the \$1,000,000 to invest in mutual funds, stocks, bonds, and derivatives (futures and options). Guidelines are attached as a supplement.

## 6. Exams

There will be a midterm and a final exam. Dates for the midterm exam will be announced at least two weeks in advance.

Midterm Exam – TBA

Final Exam –Monday December 7, 5:30 PM – 7:30 PM

**Please do not request a different time for the final exam.** Since you know the time please do not schedule any other events on during that time.

## 7. Grading

Points for each item are as follows -

Midterm Exam	200 points
Final Exam	200 points
Connect Based Assignments	200 points
Class Participation	200 points
• Includes attendance and class involvement	
Stock Trak	200 points

Your grades for the Stock Trak Project will based on the following –

- Final Report & Presentation 50 points max
- 8 Bi-weekly Reports 70 points max
- Your relative standing in class 80 points max
  - Meet Expectations 80 points
  - Positive and place second in class +5 bonus points
  - Positive and place first in class +10 bonus points

Letter grades are assigned using the above scheme and the following cut-off points:

The cutoffs for final course letter grades are:

90-100%.....A
80-89%.....B
70-79%.....C

60-69%.....D  
< 59%.....F

I will consider rounding up the final average for those close to the cutoff for the next higher grade, in which the decision will be based on the trend in the student's grades throughout the semester, the clustering of student averages, and my assessment of the overall effort of the student.

## 8. Extra Credit

There isn't any.

## 9. Students with Special Needs

If you are a qualified person with disabilities needing appropriate accommodation, please get in touch with me at the beginning of the semester. Alternatively, you may also contact the [Student Accessibility Center](#).

## 10. Academic Dishonesty

*"I hope I shall possess firmness and virtue enough to maintain what I consider the most enviable of all titles, the character of an honest man." – George Washington (1732 – 1799), First President of the United States of America*

**Anderson School of Management faculty, staff and students commit to values of trust, honesty, integrity, and accountability. We will not tolerate academic dishonesty. By enrolling in any course at Anderson, the student accepts the Anderson Academic Honesty Code and affirms the following pledge:**

***I will not lie, cheat, fabricate, plagiarize or use any other dishonest means to gain unfair academic advantage.***

Any violation of the code of conduct will be taken very seriously and appropriate sanctions will be applied. FOR FULL TEXT OF ANDERSON'S ACADEMIC HONESTY CODE, please visit <http://www.mgt.unm.edu/honesty>

## 11. Classroom Etiquette

- There is **no eating in class**, though soft drinks (please open the bottles or cans before class starts), or coffee, are allowed.
- Do not place your foot on the chair or table next to you. It is utterly disrespectful.
- **There is no laptop, i-pad or other hand-held electronic device use in class unless instructed otherwise.**
- **Turn off your cell phones** before class begins and leave them off. This also means **no text messaging** during class. Violation will result in dismissal for that class period.

- If you leave class to talk on your cell phone, or leave for any other reason without permission, you are **not** allowed to return to class.
- **Be considerate of your classmates and your instructor.**
- All discourse with your fellow students and the instructor **must be** respectful and civil.
- Disruptive students will be asked to leave class.
- You should **not** be talking amongst yourselves during class unless it is short-lived and it pertains to class material.
- Show up to class on time. I believe that punctuality is essential. Please do not disrupt the class rhythm by showing up late. If you leave the class without informing me in advance with a genuine reason, you will lose attendance credit for that session. Requests for consistent late arrival (early departure) to (from) class due to any reason will not be entertained.

## 12. Tentative List of Chapters

Chapter Name
<b>Part I - Introduction</b>
Investment Environment
Asset Classes and Financial Instruments
How Securities are Traded
Mutual Fund and Other Investment Companies
<b>Part II - Security Analysis</b>
Macroeconomic and Industry Analysis
Financial Statement Analysis
Equity Valuation Models
Technical Analysis
<b>Part III - Fixed Income Securities</b>
Bond Prices and Yields
Term Structure of Interest Rates
<b>Part IV - Options and Futures</b>
Option Markets Introduction
Option Valuation
Futures Markets
<b>Part V- Portfolio Theory</b>
Introduction to Risk, Return and the Historical Record
Risk Aversion, and Capital Allocation to Risky Assets
Optimal Risky Portfolios
CAPM

APT
Single Index Models
Efficient Market Hypothesis
Construct Efficient Portfolios using excel

## Stock Trak Simulation Project

The goal of this project is to apply the material we learn in class to the real world. The real world is challenging and mistakes will be costly. Simulation is an effective way to learn and turn even the mistakes into a learning opportunity. Stock Trak [www.stocktrak.com](http://www.stocktrak.com) offers a global portfolio simulation tools that will enable students to achieve the above mentioned objective. The goal of a successful investment strategy is to obtain the maximum return with minimum risk. How well you develop your investment strategy, using concepts will have a profound impact on your grade. Hence, a thorough knowledge of current events in the global economy will be essential to shape your view on deciding the relative attractiveness of various investments, strategies, and markets. To this effect the following are the guidelines of the simulation project –

### Broad Expectations -

1. You should invest at least 80% of your endowment.
2. The objective of this simulation is ***“Diversification”***
3. Hold at least 10 mutual funds
  - a. Out of the 10 mutual funds at least 5 should be stock-based mutual funds
4. Hold at least 20 stocks
  - a. You should choose at least 10 different industries
5. Hold at least 10 bonds – diversify
6. Hold at least 10 option contracts – diversify
7. Hold at least 10 futures contracts – diversify

### Other information -

8. Please visit the following webpage for details regarding registration –

<http://www.stocktrak.com/public/members/registrationstudents.aspx?p=UNM-Fa2015-571>

9. You will have a maximum of 400 trades
10. The endowment is worth \$1,000,000.
11. There will be transaction costs.
12. Keep a log of all the trades you conduct. The rationale behind every trade will have to be explained.
13. You can buy assets from any market. For example, if you choose to buy assets from Japan you need to explain your rationale in a comprehensive manner.
14. Limit your exposure to \$250,000 for any one asset class. You should diversify.

15. Cost of investment in any single security should not be more than roughly 5% of your initial endowment.

### Deliverables Expectations

1. There are seven bi-weekly reports and a final report. Each of those bi-weekly reports should be minimum of five pages, double spaced.
  - a. Final Report and Presentation – December 2, 2015
2. Report 1 should contain –
  - a. An evaluation of the macroeconomic environment
    - i. US unemployment
    - ii. US GDP projections
    - iii. US inflation
    - iv. US consumer spending
    - v. US home sales and home prices
    - vi. Consumer sentiment
    - vii. Manufacturing/production index
    - viii. FED statements and the credit markets outlook
    - ix. Company earnings and future outlooks
    - x. Geopolitical environment
  - b. Your investment philosophy – investment objectives such as achieve diversification (of asset classes, industries, countries), a particular asset allocation (25% debt, 45 % equity, and so on), generate return with appropriate risk, beat the S&P 500 benchmark by x%, and so on. Your investment philosophy should be derived from the macroeconomic outlook that you formed by reading and evaluating various reports.
3. The next six bi-weekly reports should contain the following
  - a. Macroeconomic outlook –
  - b. Your “cumulative” trade log – record all your trades by each asset class.
  - c. Performance of your portfolio
    - i. Overall losses/gains
    - ii. Subdivide the overall gains/losses by each sector such as stocks, mutual funds, bonds, futures, and options.
    - iii. Within each sector present each holding and present the gains/losses.
    - iv. I have a penchant for charts and graphs. A picture is worth at least a thousand words.
4. The Final Report – The final report should meet the following expectations. Your grade on this project will depend on your commitment and quality of your work.
  - a. There is no page limit on the final report.
  - b. Reiterate your investment philosophy. Have you made any adjustments to it?
  - c. Provide a section at the beginning stating the broad expectations and how you met them. If there are any deviations state them clearly.
  - d. Pick three industries in your overall portfolio and provide a detailed analysis. Include a brief future outlook for the industry.
  - e. Pick three stocks one from each and perform

- i. Financial Statement Analysis
  - ii. Fundamental Analysis
  - iii. Technical Analysis – pick any three technical analysis indicators and in the last few weeks interpret the signals.
- f. If you chose to diversify outside the US - for each country in your portfolio include the current and future outlook with exchange rate fluctuations. You may choose to put all your money in the US markets, in that I don't expect any report on exchange rate fluctuations
- g. For bonds, I expect an outlook on the future exchange rates and the bonds that you hold in your portfolio.
- h. For mutual funds, describe the investment style, performance against appropriate benchmarks.
- i. Which positions exceeded your expectations?
- j. Which positions underperformed for you?
- k. What are the key take aways from your Stock-Trak experience?
- l. How will your Stock-Trak experience influence your personal investing in the future?
- m. Any suggestions to improve the Stock-Trak experience for future students.