

Grande Prairie Regional College
Department of Arts, Commerce and Education
Course Outline
FNCE 401/Finance 4010 (3)
Investments
Fall 2003

Instructor: Ken Riley
Office: C307
Office hours: Tues. & Thurs. 10 – 11:30am or by appointment
Telephone: 539-2017
E-mail: kriley@gprc.ab.ca

Time and Place: Monday: 13:00 – 14:20
Friday: 11:30 – 12:50
B207

Course Description:

This course examines the fundamentals of investment and portfolio management. It will not make you a fund manager for a major investment house, but it will give you the tools to select appropriate investments that provide a balance between risk and return.

Prerequisite:

FN 3700

Content Description:

The objectives for the course are:

1. Understand the basic vehicles of investing and the factors that move them.
2. Be able to analyze the risk and return characteristics of a variety of investment vehicles.
3. Understand the impact of economics on the investment markets.
4. Understand the different valuation models in use today.
5. Understand the basics of portfolio construction and measurement.
6. Evaluate portfolio risk and assess different portfolio strategies.

To accomplish this, we will learn the major individual investment vehicles available today and also examine them from a portfolio perspective. To integrate the learning, we will apply it through the playing of an investment game.

Classroom work will include lectures and discussion of required topics, selected problems and cases. Students are expected to have read all assigned readings,

cases and problems before coming to class and to participate fully in their discussion and analysis.

Course Materials: The required text for this course is:

Bodie, Kane, Marcus, Perrakis, and Ryan. Investments, 4th Canadian Edition. United States of America, McGraw - Hill, 2003.

Students are expected to read the business news in national papers or on the internet on a regular basis. The papers are available in the library.

Evaluation:

The grading system employed in this course will be:

Assignments (3)	30%
Participation	10%
Investment Game	10%
Midterm Examination	20%
Final Examination	30%

Assignments:

Each student is expected to submit three assignments.

The first assignment will be a case study to be assigned by the instructor and will be completed as a group project.

The second will be a fundamental analysis of a company to be chosen by the student. The student will analyze the macroeconomic environment, the fundamentals of the industry, the fundamental and technical picture of the company; you will then make a recommendation on the stock, whether or not to buy, to short or to avoid. The analysis will be no longer than 5 pages, excluding any appendices.

The third assignment will be on a topic of the students' own choosing but will need to examine some current issue in investments today. The instructor will provide a list of possible topics to stimulate thinking. The student will need to get the concurrence of the instructor on the topic before proceeding and will be a maximum of 5 pages, excluding appendices.

Participation:

Each student is expected to come to class having read the material and completing any assignments given. Marks will be based on the contribution made to the class by the student; note that both quantity and quality of the contribution will be assessed. In addition, students will be expected to prepare and deliver in class an

assessment of the markets for the previous week. A schedule of the presentations will be prepared in conjunction with the class.

Investment Game:

In the game, students will try to beat a typical institutional benchmark portfolio selected by the instructor. Three students will form a team to compete and try to beat this portfolio using whatever investments and strategies it wishes. Marks will be assigned on the basis of a comparison against the benchmark portfolio. You will be required to register at **stocktrak.com** for a trading account. The cost for the basic service of this account is US\$ 18.95 which is to be paid by the student.

In the first two weeks of class, each team will develop an investment strategy and expected asset allocation for its portfolio including a justification for the strategy and hand it in to the instructor before the game begins (maximum 2 pages). At the completion of the game, you will compare your portfolio trades against this strategy and also calculate expected return, standard deviation covariance and beta. You will also certain calculate portfolio measures as discussed in Ch. 20.

Midterm Examination:

A midterm examination is scheduled for the week of October 20.

Final Examination:

A final examination will be held with time and place to be announced.

COURSE TIMELINES & SUGGESTED QUESTIONS:

Week of:

September 3:	General Introduction
September 8:	Chapters 1 (Q8) & 2 (Q5)
September 15:	Chapters 3 (Q1, 18) & 4 (Q17, 19)
September 22:	Chapter 11(Q5, 13, 30)
September 29:	Chapter 12 (Q1, 10, 16) Assignment #1 Due
October 6:	Chapter 13 (Q6, 11, 25)
October 13:	Chapter 14 (Q7, 10, 37)
October 20:	Midterm Examination Chapter 15
October 27:	Chapter 16 (Q4, 9)
November 3:	Chapters 17 (Q8, 21) & 18 (Q15, 23)
November 10:	Chapter 5 (Q17, 29, 30, 31) Assignment #2 Due
November 17:	Chapter 6 (Q6, 30)
November 24:	Chapter 7 (Q3, 17)
December 1:	Chapter 8 (Q5 – 11, 24) Assignment #3 Due
December 8:	Chapter 9 (Q17) & Course Review
Final Exam:	Time and date to be announced

(Dates are approximate and may be changed by the instructor to meet changing conditions in the class.)

Potential Topics For Assignment #3:

- An analysis of the demise of Enron
- Derivatives: Use or Misuse?
- Future of the US Dollar
- Financial reporting in the media: Balanced or Biased?
- Income and royalty trusts as an asset class
- Are we in a bubble?
- Impact of Government Sponsored Entities
- What's happening to the jobs?
- Impact of unfunded liabilities of pension plans on financial markets
- Alan Greenspan: Goat or Hero?