

ILLINOIS INSTITUTE OF TECHNOLOGY
Stuart School of Business

Course Number: Business 454

Course Title: Valuation & Portfolio Management

Session: Fall 2009
Monday/Wednesday 11:25 am – 12:40 pm
Tech Park Bldg - Room, 4B2 - 1

Instructor: Michael Gorham

Telephone No.: 312-906-6520 Downtown Campus
312.567.5032 Main Campus

E-mail Address: gorham@stuart.iit.edu

Office Hours: One hour following every class

Office Location: Main Campus 4A1-3
Downtown Campus 456

Course Description:

This course covers the theories and practices of investments including financial markets, risk and return, securities, asset allocation and diversification. We will utilize analytical techniques available in the investment analysis and selection process in the environment in which investment decisions are made. You will apply finance models and investment strategies to analyze and manage investments for various types of organizations.

Learning Objectives:

This course will enable the student to understand the basics of investments and portfolio management. We will do this through the use of one of the best text books in the field, and regular weekly reading and discussion of the premier investments trade journal.

After completing this course, the student will be able to:

- Provide a broad understanding description of investments and portfolio management
- Explain in-depth various types of investments including:
 - Equities
 - Bonds
 - Money Market Instruments
 - Real estate
 - Hedge funds
- Demonstrate a superior knowledge of portfolio management including:
 - Relationship between risk and return
 - Allocation of funds across different asset classes
 - Selection of securities within each asset class
 - Benchmarking of investment performance with external indexes

- Explain the difference between active and passive portfolio management
- Explain the efficient market hypothesis and its relevance to portfolio selection
- How to read and understand Barron's

Readings:

Investments, 8th Edition:

You will read most of the textbook: **Investments, 8th Edition** by Bodie, Kane and Marcus. The book is a classic in the field and the authors are first class researchers and deeply knowledgeable about investments and portfolio management. I think you will learn a great deal from this book.

Barron's

You must bring to each class that week's issue of Barron's. Prior to class you should spend at least 30 minutes scanning the issue for interesting articles and read carefully at least one article in-depth. During class, I will pick several people at random to report briefly on some article they have read in that week's issue. I will also walk you through one items of interest, ensuring you get the most out of each issue. You can purchase Barron's every week and bring it to class (will cost you \$5.00 X 15 classes = \$75.00 at the news stand) or you can go to http://www.barronsmag.com/subscription/Barrons_Student_Order_Form.pdf and buy a cheap 15-week subscription (for \$16 that gives you 15 print issues each week plus access to Barron's online. Because you should get into the habit of reading the Barron's weekly, I strongly suggest the second approach.

Grading:

4 Exams	60%
Class Participation	20%
Homework	20%

*** There will be no make-up exams. Late assignments will not be accepted.

*** Attendance is mandatory.

*** Exam dates are clearly indicated in the course schedule. If you have a schedule conflict, please let me know as soon as possible.

Plagiarism and Cheating:

I don't like to raise this issue, but the actions of a few former students make it necessary. At no time during this course will plagiarism or cheating be tolerated. If you are caught cheating you will fail.

Cheating and plagiarism are not tolerated in academia, nor the real world. It is a sort of theft and can get you fired from a job, dismissed from a university, or shunned in your profession. It's wrong and dangerous and just not worth doing.

Students with Disabilities

Reasonable accommodations will be made for students with documented disabilities. In order to receive accommodations, students must obtain a letter of accommodation from the Center for Disability Resources and make an appointment to speak with me as soon as possible. The Center for Disability Resources is located in the Life Sciences Building, Room 218, 312.567.5744 or disabilities@iit.edu.

Course Schedule

Class	Date	Chapter	Topic	Broad Themes
1	8/24	5	Historical Record	I. Portfolio Theory & Practice
2	8/26			
3	8/31	6	Risky Assets in a portfolio	
4	8/2			
5	9/7		Labor Day NO CLASS	
6	9/9	7	Optimal risky portfolios	
7	9/14	8	Index models	
8	9/16		EXAM 1	
9	9/21	9	CAPM	II. Equilibrium in Capital Markets
10	9/23			
11	9/28	10	APT & multifactor models	
12	9/30			
13	10/5	11	Efficient market hypothesis	
14	10/7			
15	10/12		Fall Break NO CLASS	
16	10/14	12	Behavioral finance & tech analysis	
17	10/19	13	Empirical evidence	III. Fixed Income Securities
18	10/21		EXAM 2	
19	10/26	14	Bond prices & yields	
20	10/28			
21	11/2	15	Term structure of interest rates	
22	11/4			
23	11/9	16	Managing bond portfolios	
24	11/11		EXAM 3	
25	11/16	17	Macro analysis & industry analysis	IV. Security Analysis
26	11/18			
27	11/23	18	Equity valuation models	
28	11/25			
29	11/30	19	Financial statement analysis	
30	12/2			
31	12/7		EXAM 4	

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