GOIZUETA
BUSINESS SCHOOL
EMORY

Security Analysis and Portfolio Management

Bus 623 **Spring 2004**
Tue/Thur 10:00-11:15 **Room 334**

Professor Clifton Green
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Overview of the Course

The goal of the course is to become familiar with the theory and empirical evidence related to investment management. Topics will include fundamentals of security valuation, the functioning of capital markets, optimal portfolio construction, elements of investor psychology, performance evaluation, and risk measurement. We'll emphasize stocks, but other investments such as fixed-income securities and financial derivatives will also be considered.

Understanding the principles of investment management requires a solid grounding in statistics. Familiarity with statistics should extend through covariance, correlation, and regression analysis.

Readings

The required readings for the course are:
- *Investments*, Zvi Bodie, Alex Kane, and Alan Marcus, fifth edition, 2001. Irwin/ McGraw-Hill Publishing. (BKM)
- Additional readings as distributed in class.

Optional readings are:
- *A Random Walk Down Wall Street*, Burton Malkiel, W.W. Norton & Co., seventh edition, 2000.
- *Capital Ideas*, Peter Bernstein, Free Press, 1992.
- *The New Finance: The Case Against Efficient Markets*, Robert Haugen, Prentice Hall, second edition, 1999.
- *Searching for Alpha,* Ben Warwick, Wiley, 2000.
- *Fooled by Randomness: The Hidden Role of Chance in Markets and Life*, Nassim Taleb, Texere, 2001.

Office Hours

My scheduled office hours are Wednesday from 4:00-6:00. If this time conflicts with your schedule, you can email me for an appointment. You will find a 623 conference on FirstClass. I will post messages (sometimes with attachments that you can print out) to the conference. Feel free to email me with questions.

Grading

Students will be evaluated based on the following scheme:

Homework (3)	15%
Cases (2)	10%
Stock Report	15%
Exam 1	20%
Exam 2	20%
Final Exam	20%

Class Notes

Lecture notes and additional reading material will be provided before each class.

Projects

The projects are intended to give some hands-on familiarity with investments data and to provide some experience and insight into applying quantitative techniques useful in investment analysis. The projects will require computations that can be performed on a PC using Excel (including the Analysis Tool Pack and the Solver Ad-In).

The projects consist of three homework assignments, two cases, and a stock research report (with a brief presentation). Students may work on each project individually or in groups of up to three people (five for the stock report). If you choose to complete them in a group, please submit one copy for the entire group, noting the names of all group members. Each group member will receive the same grade. You do not need to stick to the same group throughout the semester. The cases can be downloaded from study.net at the course website:

http://www.study.net/r_mat.asp?crs_id=30001944

Course Outline:

The schedule below is intended as a guide. It may be modified depending on the speed and comfort level of the class.

1/27	Tues	Course outline and introduction Overview of financial markets/assets	*BKM: 1, 2, 4, 26*
1/29	Thurs	Fundamental analysis 1	*BKM: 18*
2/3	Tues	Fundamental analysis 2	

2/5	Thurs	Industry analysis	*BKM: 17*
2/10	Tues	Analyst topics, risk and return	*BKM: 6*
2/12	Thurs	Securities trading **Stock report due** (unofficially)	*BKM: 3*
2/17	Tues	NO CLASS*	
2/19	**Thurs**	**Exam 1**	
2/24	Tues	Portfolio theory and optimal asset allocation	*BKM: 7, 8*
2/26	Thurs	CAPM	*BKM*: *9, 10*
3/2	Tues	APT and multiple factor models **HW 1 due**	*BKM*: *11*
3/4	Thurs	Market efficiency	*BKM: 12*
3/16	Tues	Anomalies	*BKM: 13*
3/18	Thurs	Behavioral finance (psychological biases) **DFA case due**	
3/23	Tues	Behavioral finance	
3/25	**Thurs**	**Exam 2**	
3/30	Tues	Fixed income I	*BKM: 14, 15*
4/1	Thurs	Bond portfolio management **HW 2 due**	*BKM: 16*
4/6	Tues	Derivatives 1	*BKM: 20, 21*
4/8	Thurs	Derivatives 2 **HW 3 due**	*BKM: 22, 23*
4/13	Tues	Hedge funds	
4/15	Thurs	Performance evaluation **Pine St. Case**	*BKM: 24, 27*
4/20	Tues	Value at Risk	
4/22	Thurs	Risk management	

Final Exam

* Presentation of stock research reports (to be scheduled).