

GSBA 521
Seminar in Investments
Fall, 2007

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Office Hours:
TTH 4:00 PM - 5:30 PM
T 10:00 PM - 11:00 PM
TH: 7:00 PM - 8:00 PM

Course Description

This course is designed to provide a sound basis for the analysis of publicly traded securities and for the development and management of an integrated portfolio management strategy. You will experience the real market by constructing and managing a live portfolio using the security analysis and portfolio management techniques learned in class and through your readings. You are encouraged to develop your own strategies using parts or all of the strategies learned in class. Through your live portfolio management activities, you will develop your personal investment plan based on current financial market activities. The course will cover socially responsible investing, i.e. investing in profitable companies with outstanding employee relations, strong records of community involvement, excellent environmental practices, safe and useful products, and respect for human rights around the world.

Course Objectives

The objective of the course is to provide practical knowledge and raise the level of competency in the following areas of investing:

- 1) Institutional Aspects of Investing (Market Structure, Stock Exchanges, Brokerage Firms, Investment Banking, Types of Orders)
- 2) Valuation (of the aggregate equity markets, of individual company shares, and of a variety of derivative instruments written on these and other underlying risks such as commodities, currencies, and interest rates)
- 3) Investing Strategies (Equity Investing: Value, Growth, Growth at a Reasonable Price, Momentum, Special Situations; Bond Investing)
- 4) Fundamental Analysis (Financial Statements, Financial Ratios, Industry Analysis, Competitive Analysis, Analysts Ratings)
- 5) The Psychology of Investing
- 6) Risk management (diversification, for example, into emerging markets and other asset classes, dynamic asset allocation, hedging)
- 7) Socially Responsible Investing (identify those companies which take effective measures to address environmental issues including emissions, climate change and renewable energy as well as practice ethical and responsible corporate governance.)
- 8) Derivative Markets (options and futures as speculation and hedging)

- 9) Portfolio Management and Asset Allocation Techniques
- 10) Indirect Investing (Closed-end Funds, Mutual Funds, ETF's, Index Funds)

Required Books

- 1) *Fundamentals of Investing* (Tenth Edition) by Gitman and Joehnk
- 2) *The Little Book of Common Sense Investing: The Only Way to Guarantee Your Fair Share of Stock Market Returns* by John C. Bogle
- 3) *More Than You Know: Finding Financial Wisdom in Unconventional Places* by Michael J. Mauboussin

Course Websites

Main: Microsoft Investor <http://moneycentral.msn.com/investor/home.asp>

Fundamental Analysis: Smartmoney.com <http://www.smartmoney.com>

Microsoft Research Wizard <http://moneycentral.msn.com/investor/research/wizards/SRW.asp>

Company Information: Reuters.com SEC Filings (Edgar) <http://www.sec.gov> Technical Analysis: Stockcharts.com <http://www.stockcharts.com> Professional Community: Business Week <http://www.businessweek.com> Forbes <http://www.forbes.com>

Socially Responsible Investing: The Social Investment Forum
<http://www.socialinvest.org/Areas/general/investors/>

Course Grade Composition

1/3: Exam 1 (Thurs., Oct. 18)

1/3: Exam 2 (Thurs., Dec. 6) – Not Cumulative

1/3: Course Project (due Tues. Dec. 18, hard-copy, turned into Olin 235 before 5:00 PM to be put in Dr. Zocco's mailbox or slipped under Dr. Zocco's office door, Olin 214, before 7:00 PM)

There will be no final exam during the final exam period, just the exams during the semester.

Course Project

Assume you are an investment advisor. Using a minimum of any ten chapters in the Mauboussin book and any other knowledge you gained in the course and believe is appropriate, develop a two-part report to potential clients. The first part (approx. ten pages) explains your investment philosophy, the rationale for that philosophy, and the evidence supporting that rationale. The second part (1-2 pages per recommendation) presents your specific recommendations (based on your investment philosophy) for three client demographics: a single professional, five years out of college and making \$95,000 annually; a married couple, both employed with a combined income of \$250,000 annually, with two children in high school; a married couple, both working with a combined income of \$400,000, with two married children. Your recommendations for these three demographics can be very different, only slightly different, or the same for all. The

paper (stapled top left, no binders) must have one-inch margins on all sides, double-spaced, Times New Roman, and 12-Point Font.

Course Schedule

Date	Reading Assignment (G=Gitman; B=Bogle; M=Mauboussin)	Course Learning Objectives	Topic(s)
Thurs., Sept. 6	Course Introduction		
Tues., Sept. 11	G: 1	1	The Investment Environment
Thurs., Sept. 13	G: 2	1	Markets and Transactions
Tues., Sept. 18	G: 2	1	Markets and Transactions
Thurs., Sept. 20	G: 3 (pp. 93-111)	1	Market Averages
Tues., Sept. 25	G: 4	6	Return and Risk
Thurs., Sept. 27	No Class		
Tues., Oct. 2	M:1-4 (not on Exam 1)	3	Investment Philosophy
Thurs., Oct. 4	G: 5	9	Modern Portfolio Concepts
Tues., Oct. 9	G: 6	3, 4	Common Stocks
Thurs., Oct. 11	G: 7 (pp. 270-283)	4	Analyzing Common Stocks
Tues., Oct. 16	Review		
Thurs., Oct. 18	Exam 1		
Tues., Oct. 23	G: 8	2	Stock Valuation
Thurs., Oct. 25	G: 8	2	Stock Valuation
Tues., Oct. 30	G: 9 (pp. 373-384)	5	Market Efficiency and Behavioral Finance
Thurs., Nov. 1	M: 5-9 (not on Exam 2)	5	Psychology of Investing
Tues., Nov. 6	M: 10-13 (not on Exam 2)	3	Psychology of Investing
Thurs., Nov. 8	M:16-21 (not on Exam 2)	3	Innovation and Competitive Strategy
Tues., Nov. 13	G: 12	3, 7, 10	Indirect Investing
Thurs., Nov. 15	G: 12; B: 1 -9	3, 10	Indirect Investing
Tues., Nov. 20	No Class		
Thurs., Nov. 22	B: 10 -18	3, 10	Indirect Investing
Tues., Nov. 27	G: 14	8	Options: Puts and Calls
Thurs., Nov. 29	G: 14	8	Options: Puts and Calls
Tues., Dec. 4	Review		
Thurs., Dec. 6	Exam 2		
Tues., Dec. 11	Open Class		
Thurs., Dec. 13	Final Course Discussion	1-10	All course topics

Academic Integrity As stated in the Graduate Bulletin, the University of San Diego is predicated on the principles of scholastic honesty. Academic dishonesty in any form is taken very seriously. Unless Dr. Zocco indicates that work can or should be done on a group basis, all course assignments must be done on an individual basis. When group work is allowed, participation in work assignments within the group must be done on an equal basis. Any deviation from this norm should be reported to Dr. Zocco. Any reference materials used in the preparation of an assignment, whether quoted or paraphrased, must be explicitly cited

In taking examinations or quizzes, unless Dr. Zocco gives explicit prior instructions to the contrary, students' academic integrity dictates that students are required to do their work individually and without assistance from any person. Reference to any books or notes or electronic devices is allowed only with explicit permission from Dr. Zocco. Any attempt to give assistance to any other student contrary to the provisions above is in violation of academic integrity.

Other violations of academic integrity include, but are not limited to, claiming as your own work done by another person whether gratis or for hire, tampering with a graded exam, using electronic or wireless means to access information during an exam that otherwise would not be allowed in hard copy. If there are any questions before, during, or after the course, please consult Dr. Zocco immediately. Complete details regarding USD's policy on academic integrity are available in the Graduate Bulletin.