Bus 432 – Section 001C
Security Analysis
Spring 2013

Professor: Cliff R. Moll, Ph.D.
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Meeting Time: 1:50 to 2:50 p.m.

Meeting Place: Sage 4215 on Monday and Wednesday
Sage Computer Lab on Friday

Office Hours: Monday and Wednesday: 4:00 to 5:00 p.m.
Friday: 3:00 to 4:00 p.m.

Course Description:
Business 432 is an upper level finance course designed to expose students to portfolio management. Students are required to obtain, organize, and analyze external and internal data as it relates to portfolio management.

Course Prerequisites:
Prerequisites are Bus 205 and Bus 334.

Additionally, students enrolled in Bus 432 should have a working understanding of:
- Basic finance concepts covered in Bus 331 (Essentials of Finance)
- Basic economic concepts covered in Econ 204 and Econ 206
- Accounting concepts covered in Bus 204
- Mathematics covered in Math 204 and Math 206
- Statistics and Spreadsheets, as covered in Econ 210 and Bus 389
- Investment concepts covered in Bus 334 (stocks, bonds, mutual funds, derivatives, etc…)

Course Objectives:
Bus 432 is intended to be an advanced course in investments and portfolio management. The primary learning objectives of the course are to help students:
- Obtain and analyze financial data from a variety of sources (electronic- and print-based)
- Learn to present analysis of financial data
- Utilize finance theories and models to solve problems and identify opportunities in the global markets
In addition to the aforementioned general course objectives, students completing the course should be able to:

- Obtain, compile, and analyze data related to the current investment environment for various:
  - Economies
  - Markets
  - Sectors
  - Publicly Traded Companies
- Develop and implement target asset allocations
- Execute investment strategies
- Analyze, value, and provide recommendations for various financial securities (e.g. stocks, bonds, mutual funds, etc…)
- Use derivative securities as effective hedging instruments
- Present results of analysis to a group of peers (classmates) and your manager (professor)

**Required Materials:**

- Financial Calculator: I will use the TI BAII Plus financial calculator for all in-class demonstrations. As such, I strongly encourage students to use the same calculator. The TI BAII Plus calculator can be found at most retail stores for less than $35. Students using anything other than the TI BAII Plus calculator will be held responsible for learning how to use their own calculator.
- Handouts given to students throughout the semester.
- *** While a subscription to *The Wall Street Journal* is not required, I do encourage students to keep up with the markets and the WSJ is an excellent source of up to date information.

**Course Coverage:**

I will cover chapters 9-13 and 15-20 as time permits. Students are expected to read the assigned chapters before each class.

**Attendance and Participation Policy:**

**Participation:**

Please note that participation and attendance are not the same. Students who attend all classes but do not participate will receive 6% as their attendance and participation grade. In order to receive a higher attendance and participation grade (up to 10%), students must regularly participate in class discussions. Class discussion will focus on the assigned reading, homework and projects. Students are expected to participate in class discussions on a regular basis.

**Attendance:**

Attendance is mandatory. Class attendance and participation are worth 10% of each student’s final grade. Class attendance is essential to the understanding of course material. Students are allowed to miss 4 classes without penalty. Students who miss
5-6 classes will lose ¼ of their earned attendance and participation grade. Students who miss 7-8 classes will lose ½ of their earned attendance and participation grade. Students who miss 9 classes will lose their entire earned attendance and participation grade. Students who miss more than 9 classes (over 3 weeks of class) will have their final grade lowered by one full letter grade for each additional absence.

**Assigned Problems:**
I will assign problems out of the book as the semester progresses in order to help students prepare for upcoming projects and exams. Students having difficulty with the assigned problems are encouraged to ask questions during my office hours and/or during class. While problem solutions will not be graded, there is a strong correlation between the successful completion of the assigned problems and the grade that a student earns in the course.

**Projects:**
Over the course of the semester I will assign 2-4 short projects that students are required to turn in for a grade. The projects will be equally weighted and account for 18% of each student’s final course grade. Projects will be announced throughout the semester and are typically real world applications of the material covered in class. For example, a project may involve estimating the intrinsic value and margin of safety for Wal-Mart stock, along with a short 1-2 paragraph write-up of the results.

**Presentations:**
Students will be divided into groups (4-5 students per group) and each group will be assigned a sector to follow. For the purpose of the presentations, we will use the sector and industry categories provided Morningstar. The list of Morningstar sectors is posted to D2L. Within each sector, the group must choose 4-5 companies (one per group member) to follow over the course of the semester. Each group will give two presentations over the course of the semester. In total, the two presentations will count toward 27% of each student’s final course grade. The first presentation is worth 9% of each student’s final grade and the second presentation is worth 18% of each student’s final grade.

The first presentation should be between 20 and 25 minutes (maximum of 25 minutes) long. During their presentation, students must:
- Formally define their sector
- Identify the sub-industries to which their companies belong
- Provide an overview of each firm being followed
- Show the results of competitive analysis of their chosen sector/sub-industries (see Chapter 9: Porter, HHI, and CR)
- Discuss other relevant factors from Chapters 9 and 17, as they relate to the selected sector and firms
- Provide initial recommendations for both the sector and the firms within each sector. For example, overweight or underweight in your sector and
buy, hold or sell for your selected stocks. Hold recommendations are to be used sparingly.
  o Develop a fictitious portfolio containing the stocks that you decided to follow
    ▪ Provide portfolio weights for each stock

The second presentation should be between 45 and 55 minutes (55 minutes maximum) long. The purpose of the second presentation is to update the class on any sector developments and news, any news or issues surrounding the firms being covered within the sector, and provide the class with the results of a thorough firm analysis, including, but not limited to, ratio analysis, intrinsic value calculation, and technical analysis. During their presentation, students must:
  • Provide updates of news and/or issues within their sector
  • Provide updates of news and/or issues for their chosen firms
  • Give results of in depth firm analysis:
    o Ratio Analysis
    o Intrinsic Value Calculation
    o Technical Analysis
    o Possible Opportunities for use of Derivatives (Options and/or Futures)
  • Review initial sector and firm recommendations and discuss where you did well and where you did not do well. Specifically, use your portfolio weights to:
    o Compare portfolio performance to relevant benchmark(s)
    o Calculate and discuss Jensen’s Alpha, Treynor Measure, and Sharpe Ratio
  • Provide new recommendations

Exams:

There will be three in-class exams, given on regularly scheduled class meeting days. Each exam will be assigned a weight of 15% of each student’s final grade. Exam format will be true/false, multiple choice, and problem/essay. On exam days, students are expected to bring a financial calculator and pencil.

Exam dates are listed in the tentative course schedule. Students are expected to take each exam on its scheduled day. There will be no make-up exams. If a student is unable to take an exam at the scheduled time, they must contact me at least 10 calendar days prior to the exam date to indicate why they are unable to take the scheduled exam. If a legitimate conflict arises and the absence is pre-approved by me, the student will be allowed to take the exam early. Failure to do so will result in a grade of zero on the exam with no possibility for a makeup exam.

***Students who miss one of the first two exams will be required to take a cumulative final exam as their makeup exam. The score earned on the cumulative final exam will be double counted (i.e. the exam will be given a weight of 30%).

Note: Students who miss more than one exam will automatically fail the course.
Exams are closed book. However, students will be allowed to use a 4” by 6” note card (front and back) to complete each exam.

Tentative Exam (percentage of total course grade) Coverage. Please note that covered material is subject to change with advance notice:

- Exam 1 (15%): Chapters 9, 16, 17 and Asset Allocation lecture notes
- Exam 2 (15%): Chapters 10, 11, 12, and 13
- Exam 3 (15%): Chapters 15, 18, 19, and 20

Grading Criteria:

Grades will be assigned based on individual performance on exams, projects, the final report, and participation and attendance:

- Exams: 45% (3 - each worth 15%)
- Presentations: 27%
- Projects: 18%
- Attendance and Participation: 10%

Tentative Grading Scale:

A  92% and higher  A- 90.0% - 91.9%  B+ 88.0% - 89.9%
B  82.0% - 87.9%  B- 80.0% - 81.9%  C+ 78.0% - 79.9%
C  72.0% - 77.9%  C- 70.0% - 71.9%  D  60.0% - 69.9%
D- 58.0% - 59.9%  F  Below 58%

General Policies:

- Communication:
  - The best way for students to contact me is via E-mail. I am readily available to students outside of class during my scheduled office hours (or by appointment). Given the complicated nature and length of many of the assigned problems and cases, I prefer to answer homework and project questions in person during my office hours. That said, I understand the busy schedules of students and will do my best to answer questions as they arise. I do have an open door policy such that students are welcome to drop by my office unannounced as questions arise. If I do not have time available at that moment, I will work with the student to set up a meeting as soon as possible.

- ADA Statement:
  - If a student believes that they have special needs as addressed by the Americans with Disabilities Act, they should notify me immediately (within the first week of class) and I will make all the necessary arrangements.
Cheating:

- Academic Dishonesty is a serious offense. The University of Wisconsin Oshkosh is committed to a standard of academic integrity for all students. The system guidelines state: “Students are responsible for the honest completion and representation of their work, for the appropriate citation of sources, and for respect of others’ academic endeavors.” (Section UWS 14.01, WI Administrative Code). Students are subject to disciplinary action for academic misconduct, as defined in Section UWS 14.03, WI Administrative Code.
  - Students are encouraged to review the procedures related to violations of academic honesty as outlined in Chapter 14, WI Administrative Code.
- Students who are caught cheating will receive an automatic grade of F for the course.

*****Note: Syllabus is subject to change with advance notice*****
**Bus 432 Tentative Course Schedule – Subject to change with advance notice**

<table>
<thead>
<tr>
<th>Week</th>
<th>Day</th>
<th>Chapters Covered</th>
<th>Textbook Topic(s) Covered</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>01/28/13</td>
<td></td>
<td>Asset Allocation Notes</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>01/30/13</td>
<td></td>
<td>Asset Allocation Notes</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>02/01/13</td>
<td>Ch. 16</td>
<td>Mutual Funds and ETFs</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>02/04/13</td>
<td>Ch. 16</td>
<td>Mutual Funds and ETFs</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>02/06/13</td>
<td>Ch. 9</td>
<td>Business Environment</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>02/08/13</td>
<td>Ch. 9</td>
<td>Business Environment</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>02/11/13</td>
<td>Ch. 9</td>
<td>Business Environment</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>02/13/13</td>
<td>Ch. 17</td>
<td>Global Investing</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>02/15/13</td>
<td>Ch. 17</td>
<td>Global Investing</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>02/18/13</td>
<td>Ch. 17 &amp; Exam 1 Review</td>
<td>Global Investing</td>
<td>Exam 1</td>
</tr>
<tr>
<td>4</td>
<td>02/20/13</td>
<td>Exam 1</td>
<td>Asset Allocation, Ch. 16, 9 and 17</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>02/22/13</td>
<td></td>
<td>Project 1 Work Day</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>02/25/13</td>
<td>Ch. 10</td>
<td>Financial Statement Analysis</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>02/27/13</td>
<td>Ch. 10</td>
<td>Financial Statement Analysis</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>03/01/13</td>
<td>Ch. 10 &amp; 11</td>
<td>Financial Statement Analysis/Value Stock Investing</td>
<td>Project 1</td>
</tr>
<tr>
<td>6</td>
<td>03/04/13</td>
<td></td>
<td>Presentations</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>03/06/13</td>
<td></td>
<td>Presentations</td>
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<tr>
<td>6</td>
<td>03/08/13</td>
<td>Ch. 11</td>
<td>Value Stock Investing</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>03/11/13</td>
<td>Ch. 11</td>
<td>Value Stock Investing</td>
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<tr>
<td>7</td>
<td>03/13/13</td>
<td>Ch. 12</td>
<td>Growth Stock Investing</td>
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</tr>
<tr>
<td>7</td>
<td>03/15/13</td>
<td>Ch. 12 &amp; Project 2 Work Day</td>
<td>Growth Stock Investing</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>03/25/13</td>
<td>Ch. 12</td>
<td>Growth Stock Investing</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>03/27/13</td>
<td>Ch. 12 &amp; 13</td>
<td>Growth Stock Investing/Technical Analysis</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>03/29/13</td>
<td>Ch. 13</td>
<td>Technical Analysis</td>
<td>Project 2</td>
</tr>
<tr>
<td>10</td>
<td>04/01/13</td>
<td>Ch. 13 &amp; Exam 2 Review</td>
<td>Technical Analysis</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>04/03/13</td>
<td>Exam 2</td>
<td>Ch. 10-13</td>
<td>Exam 2</td>
</tr>
<tr>
<td>10</td>
<td>04/05/13</td>
<td>Ch. 18</td>
<td>Option Markets and Strategies</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>04/08/13</td>
<td>Ch. 18</td>
<td>Option Markets and Strategies</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>04/10/13</td>
<td>Ch. 18</td>
<td>Option Markets and Strategies</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>04/12/13</td>
<td>Ch. 20</td>
<td>Real Estate and Tangible Assets</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>04/15/13</td>
<td>Ch. 20</td>
<td>Real Estate and Tangible Assets</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>04/17/13</td>
<td>Ch. 20</td>
<td>Real Estate and Tangible Assets</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>04/19/13</td>
<td>Ch. 15</td>
<td>Bond Valuation</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>04/22/13</td>
<td>Ch. 15</td>
<td>Bond Valuation</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>04/24/13</td>
<td>Ch. 15 &amp; Ch. 19</td>
<td>Bond Valuation/Futures Markets</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>04/26/13</td>
<td>Work Day</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>04/29/13</td>
<td>Ch. 19 &amp; Exam 3 Review</td>
<td>Futures Markets</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>05/01/13</td>
<td>Exam 3</td>
<td>Ch. 15 and 18-20</td>
<td>Exam 3</td>
</tr>
<tr>
<td>14</td>
<td>05/03/13</td>
<td>Work Day OR Presentations</td>
<td>Presentations</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>05/06/13</td>
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<td>Presentations</td>
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<td>Presentations</td>
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