



FINA-4332:001
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT
SPRING 2021

COURSE INFORMATION: **Class Meeting Day & Time:** TR 7:00 PM – 9:30 PM
Class Location: OCNR 145

Instructor: H. Zafer Yuksel
Office: OCNR 366
Office Hours: R 4:00 PM – 6:45 PM or by appointment on Webex
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Websites:

- Blackboard
- www.zaferyuksel.com

Important Messages:

The University will require face coverings in all public spaces, including classrooms. A Face Covering FAQ can be found at <https://www.tamucc.edu/fall-2020/face-coverings-faq/>. As noted in the FAQ, students who may present themselves in a class without a mask may be provided a mask by the instructor. Students who refuse to wear a mask will be reported to Judicial Affairs.

This course may require the use of online exam-proctoring involving third party charges. Exam-proctoring charges up to \$50.00 per exam. Students are required to schedule exams at least 24 hours in advance or incur late scheduling charges. All costs for exams are the responsibility of the student. Students are also responsible for having webcams (build-in or add-on) that will be used during test proctoring.

If the need arises, students may be scheduled to attend face-to-face lectures only one day per week, while the material for the other day, will be made available online on Bb9.

COURSE DESCRIPTION: Evaluation of investment securities of both private and public institutions through external analysis of financial statements and economic conditions, portfolio selection, expected return and risk selection, and conditions of market efficiency.

COURSE OBJECTIVES: By the end of this course, you will be able to:

- Understand the risk-return tradeoff, the importance of diversification, the important rules of portfolio constructions and portfolio optimizations.
- Understand the concept of market efficiency.
- Understand how to perform a portfolio performance evaluation.
- Differentiate the characteristics of stocks and bonds and learn how to value these financial products.
- Understand options, pricing of options, and simple option strategies, futures.
- Utilize various websites/databases to conduct company and industry analysis.
- Use Python and Excel to better understand the financial data.



COURSE STRATEGY:	Each lecture has two major parts: <ol style="list-style-type: none">1. <u>Theory</u>: we go over the theoretical idea and intuition behind the fundamental financial concepts.2. <u>Application (or Labs)</u>: we immediately apply the theory into real-time data (i.e., stock prices) using PYTHON and EXCEL.
CLASS MATERIALS	<p>Required Text:</p> <ul style="list-style-type: none">• Essentials of Investments, 11th edition, by Zvi Bodie, Alex Kane, and Alan J. Marcus, McGraw-Hill Irwin, ISBN# 9780077835422.• A free version of the textbook is available via Connect when students register with <i>Connect™</i>, a McGraw-Hill web interface that allows students to complete all their assignments online. <p>Highly Recommended Reading Materials:</p> <ul style="list-style-type: none">• Graham, Benjamin, <i>The Intelligent Investor</i>, New York: HarperCollins Publishers, 1949 (Foreword 2005 by John C. Bogle).• Schiller, Robert J., <i>Irrational Exuberance</i>, Princeton University Press, ISBN# 9780691173122.• Damodaran, Aswath, <i>Investment Valuation</i>, Wiley Finance Series, ISBN# 9781118130735.• Bogle, John, <i>Common Sense on Mutual Funds</i>, Wiley, ISBN# 9780470138137.• Sweigart, Al, <i>Automate the Boring Stuff with Python</i>, Free: (https://automatetheboringstuff.com/)• Hilpisch, Yves, <i>Python for Finance</i>, O'Reilly, ISBN# 9781492024330 <p>Highly Recommended Web Sites:</p> <p>These sources help you gain an up-to-date picture of the U.S. and global economy and real time stock market updates and headlines.</p> <ul style="list-style-type: none">• www.wsj.com• www.ft.com• www.financeyahoo.com• www.seekingalpha.com• www.morningbrew.com
PREREQUISITES:	FINA 3310, FINA 3331, ORMS 3310, and junior standing or above.
ADDITIONAL REQUIREMENTS:	<p>Financial Calculator:</p> <ul style="list-style-type: none">• A calculator that does two variable statistic (that is y^x) is needed for homework and exams.• HP 10BII or Texas Instrument's BAI1 Plus business calculators that are the models of calculator that are authorized for use during CFA exam.• <u>No scientific calculators will be allowed.</u> <p>Electronic Device:</p> <ul style="list-style-type: none">• Desktop or laptop computers are required to complete the course.• Internet Access for accessing Blackboard and university and publicly available databases and information.• GMAIL account.



IMPORTANT- Programming Environment:

- We need a computing environment required for Python programming.
- There are a variety of programming interfaces for Python including Jupyter Notebooks via Anaconda and/or Jupyter Notebooks via Google Colaboratory (**Google Colab**).
- In this class, we will use Python via **Google Colab**.
 - **What is Google Colab?** It is a free online cloud-based Jupyter notebook. However, you need a GMAIL account for access **Google Colab**. Once you have GMAIL account, you can code in Jupyter notebooks.

WHY PYTHON?

What is Python?

It is an open source general purpose high level programming language.

- Open source: Free!
- It is available for all major operating systems.

Advantages of Python:

Python has been on the programming stage for over two decades

There are two main reasons we will use Python in this class:

1. It has several technical advantages compared to other programming languages.
 - It is an easy to learn programming language designed to be highly readable with a syntax. Plenty of online learning resources. Extensive data visualization support. Python likes BIG DATA!
2. Its practical application covers several industries.
 - Leading companies including major investment banks are using Python. There is growing demand for people who have solid knowledge about the world of finance and Python.

Do I need to have background in Programming?

Absolutely NOT! (Of course, if you have some experience in programming previously, it would be helpful). These are the reasons:

1. We will begin our class with a crash course in Python.
2. For each class, I will provide the related code and will carefully go over the reasoning behind coding.
3. Your homework and projects are based on these codes. You simply change, for example, ticker or time period or portfolio weights in the code.

What if I want to learn more about Python?

There are many python for finance courses available online (i.e., www.youtube.com, www.udemy.com, www.coursera.org)



COURSE REQUIREMENTS

1. **HOMEWORK and QUIZZES:**

- Over the course of the semester, each student will complete homework and assignments.
- In BB9 (Blackboard) each unit folder contains a link to its corresponding homework assignments and quizzes.
- All assignments must be completed by their due date. They are open notes, open books.
- Students can submit two answers for each homework/problem question, and they are allowed to check if their answers are correct without any penalties. There are no time limit for homework assignments other than due dates. No printing is permitted.
- Quizzes have a time limit of 30 - 45 minutes and students are only allowed one answer. They should be completed after the homework assignments.
- **EXTRA CREDIT OPPORTUNITY:** The completion of LearnSmart assignments is voluntary. The average grade of these assignments however can add up to 10 extra points (on a 100-point scale) to the student's final grade. Their extra credit points will be calculated as the average percentage score on all learn smart assignments x 10.

2. **PROJECTS:**

- There will be three to four individual projects for this class.
- The details of these projects will be announced during the class.
- Outside readings may be assigned.

3. **MIDTERM EXAMS:**

- There will be two midterm tests (not cumulative).
- Test materials will come from lecture notes, the text, assigned readings, homework, and class discussion.
- Test format can be essay type questions, multiple-choice theoretical questions and problems.
- Exam problems/questions will emphasize the understanding and application of concepts and topics covered.
- All tests are closed book, closed notes.
- Only a formula sheet will be allowed during examinations.

IMPORTANT RULES:

4. The details and due dates of the projects and assignments will be announced in the class. All projects and assignments are to be turned in at the beginning of the class on their due date unless otherwise instructed. **Late projects and assignments will not be accepted.**
5. Exam dates will be announced in class. **No make-up exams will be administered.** If you must miss an exam, notify me in advance and provide written documentation that the absence was an excused University activity, a severe illness, or a dire emergency. Exams are closed books. A sheet with formulas is allowed, but the formula sheet will be collected after the exam. To protect the integrity of the test banks employed, exams will not be returned. However, exams are available for review in my office during scheduled office hours for two weeks after the exam. Students are responsible for all material in the assigned readings, handouts, homework, and class presentations.



COURSE GRADING	Problem Sets 20 Projects 20 Quizzes 20 Midterm 1 20 Midterm 2 20 <hr/> Total 100
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A letter grade may be determined based on the percentage earned of total points possible, as follows: A: 90-100%, B: 80-89%, C: 70-79%, D: 60-69%, F: 0-59%.

COURSE POLICIES **Attendance/Tardiness:** Experience has shown that regular attendance is essential to the successful completion of any course. Attendance will be taken at every class meeting.

Late Work and Make-Up Exams: No make-up exams will be administered. If you must miss an exam, notify me in advance and provide written documentation that the absence was an excused University activity, a severe illness, or a dire emergency. Otherwise, a zero will be assigned for the exam. All assignments are to be turned in at the beginning of the class on their due date unless otherwise instructed. Late assignments will not be accepted.

Cell Phone/Electronic Device Usage: I expect everyone to follow all rules of common courtesy during classroom lectures and discussions. The presence of cell phones and pagers, as well as other disruptive items or actions, are prohibited in the classroom. Laptops used for any purpose other than classwork is prohibited.

Academic Integrity/Plagiarism: University students are expected to conduct themselves in accordance with the highest standards of academic honesty. Academic misconduct for which a student is subject to penalty includes all forms of cheating, such as illicit possession of examinations or examination materials, falsification, forgery, complicity, or plagiarism. (Plagiarism is the presentation of the work of another as one's work.) In this class, academic misconduct or complicity in the act of academic misconduct on an assignment or test will result in disciplinary action.

Dropping a Class: I hope that you never find it necessary to drop this or any other class. However, events can sometimes occur that make dropping a course necessary or wise. Please consult with me before you decide to drop to be sure it is the best thing to do. Should dropping the course be the best course of action, you must initiate the process to drop the course by going to the Student Services Center and filling out a course drop form. Just stopping attendance and participation WILL NOT automatically result in your being dropped from the class. LAST DAY TO DROP THE CLASS is Friday, February 19. Dropping a class results an automatic grade of "W" this term.

Classroom/professional behavior: Texas A&M University-Corpus Christi, as an academic community, requires that each individual respect the needs of others to study and learn in a peaceful atmosphere. Under Article III of the Student Code of Conduct, classroom behavior that interferes with either (a) the instructor's ability to conduct the class or (b) the ability of other students to profit from the instructional program may be considered a breach of the peace and is subject to disciplinary sanction outlined in article VII of the Student Code of Conduct. Students engaging in unacceptable behavior may be instructed to leave the classroom. This prohibition applies to all instructional forums, including classrooms, electronic classrooms, labs, discussion groups, field trips, etc.



Grade Appeals: As stated in University Procedure 13.02.99.C2.01, Student Grade Appeal Procedures, a student who believes that he or she has not been held to appropriate academic standards as outlined in the class syllabus, equitable evaluation procedures, or appropriate grading, may appeal the final grade given in the course. The burden of proof is upon the student to demonstrate the appropriateness of the appeal. A student with a complaint about a grade is encouraged first to discuss the matter with the instructor. For complete details, including the responsibilities of the parties involved in the process and the number of days allowed for completing the steps in the process, see University Procedure 13.02.99.C2.01, Student Grade Appeal Procedures. These documents are accessible through the University Rules Web site at http://www.tamucc.edu/provost/university_rules/index.html. For assistance and/or guidance in the grade appeal process, students may contact the Dean's office in the college in which the course is taught or the Office of the Provost.

Disabilities Accommodations: The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please call or visit Disability Services at (361) 825-5816 in Corpus Christi Hall 116. If you are a returning veteran and are experiencing cognitive and/or physical access issues in the classroom or on campus, please contact the Disability Services office for assistance at (361) 825-5816.

Statement of Academic Continuity: In the event of an unforeseen adverse event, such as a major hurricane and classes could not be held on the campus of Texas A&M University-Corpus Christi, this course would continue through the use of Blackboard and/or email. Also, the syllabus and class activities may be modified to allow the continuation of the course. Ideally, University facilities (i.e., emails, web sites, and Blackboard) will be operational within two days of the closing of the physical campus. However, students need to make certain that the course instructor has a primary and a secondary means of contacting each student.

Civil Rights Statement: Texas A&M University-Corpus Christi is committed to fostering a culture of caring and respect that is free from discrimination, relationship violence, and sexual misconduct, and ensuring that all affected students have access to services. For information on reporting Civil Rights complaints and support resources, (including pregnancy support accommodations) or university policies and procedures, please contact the University Title IX Coordinator, Sam Ramirez (Samuel.Ramirez@tamucc.edu) or Deputy Title IX Coordinator, Rosie Ruiz (Rosie.Ruiz@tamucc.edu) at (361) 825-5826 or visit the TAMUCC website at <http://edcs.tamucc.edu/titleIX/>.

Limits to Confidentiality. Essays, journals and other materials submitted for this class are generally considered confidential pursuant to the University's student record policies. However, students should be aware that University employees, including instructors, are not able to maintain confidentiality when it conflicts with their responsibility to report alleged or suspected civil rights discrimination that is observed by or made known to an employee in the course and scope of their employment. As the course instructor, I must report allegations of civil rights discrimination, including sexual assault, relationship violence, stalking, or sexual harassment to the Title IX Coordinator if you share it with me.



These reports will trigger contact with you from the Civil Rights/Title IX Compliance office who will inform you of your options and resources regarding the incident that you have shared. If you would like to talk about these incidents in a confidential setting, you are encouraged to make an appointment with counselors at the University Counseling Center (<https://counseling.tamucc.edu/>).

Campus Emergencies: At TAMU-CC, your safety is a top concern. We actively prepare for natural disasters or human-caused incidents with the ultimate goal of maintaining a safe and secure campus.

- For any emergency, dial the University Police Department (UPD) at **361-825-4444** or dial 911. It's a good idea to have the UPD emergency number (and non-emergency number 361-825-4242) saved in your cell phone.
- There are nearly 200 classroom telephones throughout campus. If you feel threatened or need help and don't have a cell phone, dial 4444 (emergency) or 4242 (non-emergency) to be connected to UPD.
- If we hear a fire alarm, we will immediately evacuate the building and proceed to Hallway in front of OCN-344.
 - Proceed to the nearest building exit or evacuation stairway. Do not use the elevator. Persons who need help navigating stairs should proceed to a marked Area of Rescue Assistance, if possible.
 - Persons with disabilities should speak with their faculty about how to best assist them in case of an emergency.
 - Review the evacuation route (see specific Building Emergency Plan).
- TAMU-CC employs the Code Blue Emergency Notification System, an alert system which connects the campus community during emergency situations.
 - The notifications include emails, text and pre-recorded messages, as appropriate.
 - Code Blue emergencies may include severe weather warnings, threats, school closures, delays, evacuations and other incidents which disrupt regular campus activities.
 - Students can update personal contact information anytime at <https://emergency.tamucc.edu/contactform/>
- Shelter in Place via Code Blue.
 - "Shelter-in-place" means to take immediate shelter where you are and may be implemented for severe weather, hazardous material spills, active shooters or other dangerous situations.
 - If there is a shelter in place for a **tornado warning**, our preferred location is the bottom floor of this building, away from windows and doors.
- Active Threat Protocol. There are three things you could do that make a difference if there is an active threat: Run, Hide, and/or Fight. For more information about the Run, Hide, Fight protocol, including what to do when law enforcement arrives, visit <http://safety.tamucc.edu/ems/activethreat.html>

For the *Quick Campus Guide to Campus Emergencies* (including a list of Areas of Rescue Assistance and additional protocols on assisting persons with physical disabilities, hurricanes, bomb threats, animal bites, crime reporting, elevator entrapment, etc.), visit <https://safety.tamucc.edu/uploads/Site/finalbooklet.pdf>



CLASS SCHEDULE

Note: This is a tentative outline and the actual coverage will depend on the pace of progress of the class.

Week	Date	Topics	Readings / Unit #
1	January 28	Syllabus and Introduction Asset Classes and Financial Instruments Securities Market	BKM Chapter 2 & 3 Unit #1 and Unit # 2
2	February 4	ETFs, Mutual Funds, and Other Investment Companies Crash Python Course: Python Variables, Basic Python Syntax, Iterations, Built-in Functions, Sequences, Importing Modules	BKM Chapter 2, 3, & 4 Unit #3
3	February 11	Calculating Return Measuring Risk	BKM Chapter 5 Unit #4
4	February 18	Diversification	BKM Chapter 6 Unit #5
5	February 25	Markowitz Portfolio Theory	BKM Chapter 6 Unit #5
6	March 4	Capital Asset Pricing Model Arbitrage Pricing Model	BKM Chapter 7 Unit #6
7	March 11	Equity Valuation Portfolio Performance Evaluations	BKM Chapter 13&18 Unit #7
8	March 18	Midterm 1	
9	March 25	Bond Prices and Yields	BKM Chapter 10 Unit #8
10	April 1	Managing Bond Portfolios	BKM Chapter 11 Unit #9
11	April 8	Option Markets	BKM Chapter 11 Unit #10
12	April 15	Option Valuations	BKM Chapter 16 Unit #11
13	April 22	Option Valuations in Practice	BKM Chapter 17 Unit #11
14	April 29	Future Markets and Risk Management	BKM Chapter 17 Unit #12
15	May 6	Midterm 2	