

The College of New Jersey
BFIN 410 Portfolio Management and Derivative Securities

Spring 2011 Dr. Mayo Bus 227 office hours:

Monday and Thursday 1-2PM; Tuesday and Friday 1:15 – 2PM; Wed. before class as needed

Text: Mayo, Herbert B. Investments an Introduction, 10th ed.,
Cincinnati, OH: South Western/Thomson Learning 2011

(If you are using the old edition, it is your responsibility to see that the problems and assignments are the same. I will keep a copy of the old edition in the office.)

Course Description: The course, portfolio management and derivative securities, is concerned with financial assets, investment strategies, and portfolio construction in efficient financial markets. Specific topics and themes are carried throughout the semester and constitute the bulk of the course material. These include:

- the efficient market hypothesis
- the use of derivative securities
 - puts and calls
 - futures
 - convertible bonds and preferred stock
- the valuation of financial assets
- the role of various assets in the construction of portfolios
- the management of risk
- the allocation of assets.

Course purpose: Portfolio management and derivatives serves as the capstone course in investments. While it introduces new financial assets (e.g., derivatives), new techniques (hedging strategies), and new theory (e.g., option valuation); the emphasis is on integrating this material with prior course work on investments and financial markets. This integration leads to the development of well-diversified portfolios and the investor's management of risk.

Virtually all of the material covered in this course is pertinent to the Certified Financial Planner (CFP) or the Chartered Financial Analyst (CFA) professional designations. Any student who is anticipating sitting for the examinations that lead to these professional designations should complete this course.

Course Requirements: Class periods will be a combination of lectures, problems, and short case presentations. In addition to the tests described below, the course requires class participation and the preparation of assigned problems for class discussion and class presentation. This "discovery" technique implies that a substantial amount of the course material is covered through a series of problems and cases. All problems and cases are presented in groups of two or three students. Each group decides how to present the assigned material. This strategy encourages teamwork, develops oral communication skills, and provides flexibility during a semester in which virtually everyone misses some class for some reason such as an interview or sporting event.

Presentations **MUST** be accompanied with handouts. Students may write on the board only to expand or correct what you have distributed. Handouts are to be available at the beginning of class.

Grading Final grades will depend on the mid-term test (40 to 50%) and the **comprehensive** final exam (50 to 60%). The tests will include short essay questions, problems, and objective questions. The variety of types of testing techniques reduces students' ability to emphasize one type of learning for testing. There will be **no** make-up mid-term test. The weight of the (excused) missed test will be assigned to the comprehensive final exam.

Guest speakers: Guest speakers donate their time to come and participate. Some prior guests have given talks on what they do and how they derive financial decisions; others have participated in assignments. Others (usually alumni) have discussed the process of finding a job and what to expect upon graduation. The material covered by the guests will be part of the course and will be tested on the exams.

As of now, I do not know the dates of the guests. Those dates affect the date for the first test. All this will become clearer as we progress along.

The material on debt securities will be running **simultaneously** with the material on derivatives. That is, initially, one half of the class will be devoted to debt and the other to derivatives. (Derivatives usually go first.) The assignments are given below. You have to realize that each night will have performers from each area so it is possible that you could have two assignments fall on the same night. The dates given below are approximations, but there will be at least a week's notice as to when you will be expected to present.

The following assignments are subject to change...that is, I may drop some of the problems and/or add different ones.

DEBT SECURITIES (The dates are an approximation ... will clarify as the semester progresses.)

Ch 13 in case you don't remember the features of bonds!!

Jan 26 Ch 14 #1, 2, 3, 4 Bresnahan, McLellan

5, 6, 8, 12 Fong, McMullin

Feb 2 Ch 14 # 9, 10 Halbrunner, Miller

18, 19, 23 Hassler, Muca

20, 21, 22 Hoffman, Nissan

Feb 9 Ch 14 #24, 25, 26 Holly, Peiczonka

Ch 15 #1, 6, 2, 3 (note change in order) Kim, Rinaldi

5, 7, 8 Kogel, Sarubbi

9, 10 LaRosa, Thomson

Feb 16 Ch15 #11, 12 Lipari, Trinidad

13, 14 Ludlow, Turner

Case p. 541 (one of the most important strategies in the text)
Mastrionni, Varone

Ch 16 #1, 2 McClellan, Waskiewicz

3, 4 McMullin, Bresnahan

5, 6 Miller, Fong

7, 8 Muca, Halbrunner

DERIVATIVES

Feb 2 Ch 17 #1, 6 Waszkiewicz, Muca

Feb 9 Ch 17 #3, 4 Varone, Nissan

5, 7 Turner, Miller

8, 9 Trinidad, McMullin

10 Thomson, McLellan

Feb 16 Ch 18 #1, 2, 3 Sarubbi, Mastroianni

4, 5 Rinaldi, Ludlow

6, 7, 8 Pieczonka, Lipari

9, 10, 11 Nissan, Bresnahan

Feb 23 Ch 18 #13, 14 Muca, Fong

15, 16 Miller, Halbrunner

17, 18 McMullin, Hessler

March 2 Ch 20 #1, 2 McLellan, Hoffman

#3, 4 Mastroianni, Holly

#5, 6 Ludlow, Kim

#7, 8 Lipari, Kogel

Case p. 700 Ladd, LaRosa

More assignments to come

Ch 9 Efficient markets (pp. 298-312)
Special assignment on the short ratio

Ch 14 technical analysis
Question #9 on the Dogs of the Dow
(Use Jan 2, 2006, 2007, 2008, 2009, and 2010 as the
starting dates. How have the dogs and the small dogs
done compared to the DJIA during each year?)
Additional assignments on
technical analysis TBA

I'll come up with something for behavioral finance

Ch 22 #3, 4, 5, 6
#7, 8, 9, 10

Ch 23 #3, 4
#5, 6 (substitute NNN and HR for CLP)
#7

ETFs and asset allocation TBA