

Course Outline

Department of Accounting and Finance
School of Business and Economics

FNCE 3150-3
Portfolio and Equity Analysis (3,0,0)

Calendar Description

Students examine the different types of financial assets, the markets in which they trade, and how investors structure these assets into diversified portfolios to meet their financial objectives. Emphasis is placed on the valuation of equity securities. Topics include an introduction to risk and return; types of securities and the investment process; mutual funds; stock market and common stock valuation; stock price behaviour, market efficiency, and behavioral finance; technical analysis; fundamental analysis; return, risk and security market line; and portfolio management and performance evaluation.

Educational Objectives/Outcomes

Upon completion of this course, students will be able to:

1. Evaluate the effect of risk and diversification on investment decisions.
2. Discuss the characteristics of the various types of investments and the ways in which they are sold.
3. Defend the use of mutual funds versus investing in individual assets.
4. Explain the functioning of financial markets and their role in pricing investments.
5. Compare the efficient market hypothesis with behavioral finance.
6. Value equities using fundamental analysis and technical analysis.
7. Analyze a company's prospects in relation to its industry and peers.
8. Use the Capital Asset Pricing Model and Asset Pricing Theory to estimate investment returns.
9. Develop a portfolio management plan reflecting the goals, risk tolerance, and circumstances of individual and institutional investors.

Prerequisites

FNCE 2120 or FNCE 2121 or FNCE 3120 (grade of C+ or better); ECON 2330 or ECON 2331

Note: Students cannot receive credit for both FNCE 3150 and FNCE 3151.

Co-requisites

None

Texts/Materials

Student Evaluation

Tests/quizzes	30-50%
Case studies/research projects/assignments	10-30%
Final exam	30-50%

Students must pass the exam to pass the course.

Course Topics

1. Introduction to Risk and Return, Diversification and Asset Allocation
 - A brief history of risk and return
 - Average returns and return variability
 - Risk-return tradeoff
 - Expected returns and variances
 - Portfolios
 - Diversification and portfolio risk
 - Markowitz efficient frontier
2. Types of Securities and the Investment Process
 - Security Types
 - Interest bearing assets
 - Equities
 - Derivatives
 - The Investment Process
 - Brokerage accounts
 - Margin trading and short sales
3. Mutual Funds
 - Investment companies and fund types
 - Mutual fund operations
 - Costs and fees
 - Fund performance
 - Closed-end, ETF and hedge funds
4. Stock Market and Common Stock Valuation
 - The Stock Market
 - Primary and secondary markets, third and fourth markets
 - New York and Toronto stock exchanges
 - Third and fourth markets
 - Market Indexes
 - Calculation of value
 - Construction

- Uses
- Types: equity, fixed-income, alternative investments
- Common Stock Valuation
 - Dividend discount model
 - Free Cash Flow Models
 - Residual income model
 - Price ratio analysis

5. Stock Price Behavior, Market Efficiency, and Behavioral Finance

- Concept of efficiency
- Types of efficiency
- Implications of market efficiency
- Efficiency and performance
- Bubbles and crashes
- Prospect theory, overconfidence, and misperceptions

6. Technical Analysis

- Definition and scope
- Technical analysis tools
- Dow Theory
- Elliott Waves
- Charting
- Support and Resistance levels
- Other technical indicators

6. Fundamental Analysis

- Sources of financial information
- Top-down and bottom-up analysis
- Global macroeconomic activity
- Industry analysis
- Company analysis

7. Return, Risk, and Security Market Line

- Efficient frontier and Capital Asset Line
- Systematic and non-systematic risks
- Beta and the Security Market Line
- Multi-factor models

8. Portfolio Management and Performance Evaluation

- Investor objectives, constraints and strategies
- Active and passive portfolio management
- Performance evaluations
- Risk Management

As per TRU policy

Attendance Requirements – Include if different from TRU Policy

As per TRU policy

Special Course Activities – Optional

Use of Technology – Optional