

**MBA F713
Security Analysis
Winter 2024 Course Outline**

**Business Economics and Finance Area
DeGroot School of Business
McMaster University**

COURSE OBJECTIVE

The objective of this course is to introduce the student to both the theory and practice of investment analysis and selection. The student should obtain a broad knowledge of security markets and risk-return characteristics of the more important forms of investment through this course.

INSTRUCTOR AND CONTACT INFORMATION

Section 1: Tuesday 11:30 – 2:30

Michael Hatcher

Instructor

hatchm1@mcmaster.ca

Office: RJC

Office Hours: after class

Tel: (416) 356-3980

Class Location: TBD

Student TA

Wei-Ju Liao

Liaow7@mcmaster.ca

Office:

Office Hours: TBD

Tel: TBD

COURSE ELEMENTS

Credit Value: 3	Leadership: Yes	IT skills: No	Global view: Yes
Avenue: Yes	Ethics: No	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group work: Yes	Oral skills: Yes
Evidence-based: Yes	Experiential: No	Final Exam: Yes	Guest speaker(s): No

COURSE DESCRIPTION

This course is taught primarily through lectures but also includes readings and a written equity research report. Students are expected to attend every class as class lectures can cover materials not mentioned in the text book. This security analysis course is designed to help students understand the investment opportunities in the capital markets and the risk-return relationship of securities usually included in investment portfolios. The bond market, stock market, equity research and portfolio analysis, as well as market efficiency are the focus of this course.

In addition, students will learn a solid framework to identify, analyse and value companies in order to help them make strong long term investment decisions. A key component of the course will be writing an equity research report and being able to present your investment recommendations.

LEARNING OUTCOMES

Upon completion of this course, students should:

- have a good understanding of various financial assets;
- have a good understanding of the functioning of security markets;
- have a good understanding of the key concepts of portfolio theory;
- be able to define a high quality business;
- be able to identify and analyze key components of financial statements;
- be able to write a high quality equity research report;
- more importantly, be able to think logically and systematically.

REQUIRED COURSE MATERIALS AND READINGS

Avenue registration for course content, readings and case materials

➤ <http://avenue.mcmaster.ca>

\$ FREE

Investments: 10th Canadian Edition, by Z. Bodie, A. Kane, A. J. Marcus, L. Switzer, M. Stapleton, B. Boyko, C. Panasian; McGraw-Hill Ryerson, 2022

OPTIONAL COURSE MATERIALS AND READINGS

Other reading articles will be posted in the course website.

EVALUATION

Learning in this course results primarily from in-class lectures on the key concepts of portfolio theory and equity research. The final exam will be weighted toward the key concepts of portfolio theory while students will get hands on experience writing a quality equity research report. Students will participate and be evaluated on their ability to communicate their investment ideas in a simulated equity research meeting. Class attendance and participation will also be an important component of your overall evaluation. Your final grade will be calculated as follows:

Components and Weights

Assignment 1	Group (Max 3 members)	10%
Assignment 2	Group (Max 3 members)	10%
Final Report	Group (Max 3 members)	20%
Presentation	Simulated Research Meeting	10%
Final Exam	Individual	40%
Participation	In-class attendance and contribution	10%
Total		100%

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

Grade Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

Course Deliverables

Assignment #1 – Framing your analysis and the business.

Due Tuesday January 30th.

This assignment is worth **10%** of your final grade.

Assignment #2 – Financial Statement Analysis. Focus on mission critical components to your investment thesis and areas of risk.

Due Tuesday February 13th.

This assignment is worth **10%** of your final grade.

Final Report – Bring all of your analysis and valuation together with an investment recommendation. Reports should be 4000-6000 words in length. Group members will share the same grade adjusted by peer evaluations.

Due Tuesday March 12th.

The report is worth **20%** of your final grade.

Equity Research Presentation – Groups will present their investment idea and investment recommendation to the class. Debate will focus on making the right investment choice, not ‘winning’ an argument.

The presentation and debate is worth **10%** of your final grade.

Participation

Name cards and class pictures are used to help give credit for your participation. You must have a name card with your **full first and last name** clearly written and displayed in front of you for every class.

Participation is worth **10%** of your final grade.

Final Exam

The exam will be cumulative covering readings on securities, portfolio theory and equity research.

The exam is worth **40%** of your final grade.

COMMUNICATION AND FEEDBACK

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degrootemcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

AUTHENTICITY/PLAGIARISM DETECTION

Some courses may use a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. For courses using such software, students will be expected to submit their work electronically either directly to Turnitin.com or via an online learning platform (e.g. A2L, etc.) using plagiarism detection (a service supported by Turnitin.com) so it can be checked for academic dishonesty.

Students who do not wish their work to be submitted through the plagiarism detection software must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software.

All submitted work is subject to normal verification that standards of academic integrity have been upheld (e.g., on-line search, other software, etc.). For more details about McMaster's use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course.

The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

ON-LINE PROCTORING

Some courses may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Please do not use the online [McMaster Student Absence Form \(MSAF\)](#) as this is for Undergraduate students only. The MBA program will not accept an MSAF.

When students miss regularly scheduled term work which contributes 10% or more to the final grade, for legitimate reasons as determined by the Student Experience – Academic Office (SEAO), the activity necessary to compensate for the missed work will be determined by the course instructor. The compensatory activities assigned will vary with the nature of the course and the missed requirement. They include, but are not restricted to, an alternative assignment, a rescheduled midterm exam, or re-weighting the marks for the missed component to other mark components. Documentation explaining such missed work must be provided to the SEAO within five (5) working days of the scheduled date for completion of the work.

Acceptable reasons for missed work, along with the [Petition for Missed Term Work](#) and the [MBA Student McMaster University Student Health Certificate](#), can be found on the DeGroote MBA Student website (mbastudent.degroote.mcmaster.ca). Please direct any questions about acceptable documentation to the MBA Academic Advisors (askmba@mcmaster.ca).

University policy states that a student may submit a maximum of three (3) [Petition for Missed Term Work](#) per academic year, after which the student must meet with the Director of the program.

If term work is missed without an approved reason, students will receive a grade of zero (0) for that component.

Missed Final Examinations

Students must be available for the duration of the posted exam period regardless of their personal exam schedule. This is to ensure student availability throughout the entire exam period in the event that an exam must be rescheduled due to unforeseen circumstances (university closure, power outage, storm policy, etc.). A student who misses a final examination without valid reason will receive a mark of 0 on the examination.

Students who have missed a final exam for a valid reason can apply to the SEAO to write a deferred examination by submitting an [Application for Deferring a Final Exam](#) with supporting documentation. The application must be made within five days of the scheduled exam.

The [Application for Deferring a Final Exam](#) and the [MBA Student McMaster University Student Health Certificate](#) can be found on the DeGroot MBA Current Student website (mbastudent.degroot.mcmaster.ca)

Deferred examination privileges, if granted, are normally satisfied during the examination period at the end of the following semester. In select cases, the deferred examination may be written at a time facilitated by the SEAO and agreed to by the course instructor.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

ACADEMIC ACCOMMODATION FOR STUDENTS WITH DISABILITIES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

Students who are leveraging accommodation for tests and exams are supported by the SEAO. These exams are written at the Ron Joyce Centre and do not take place in the Tim Nolan Testing Centre. Correspondence for accommodations is managed via the DSBSAS@mcmaster.ca email address. Students must communicate their intent to leverage accommodations on a test or exam a minimum of 10 business days prior to the assessment.

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to the SEAO **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

POTENTIAL MODIFICATION TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

RESEARCH USING HUMAN SUBJECTS

ONLY IF APPLICABLE

Research involving human participants is premised on a fundamental moral commitment to advancing human welfare, knowledge, and understanding. As a research intensive institution, McMaster University shares this commitment in its promotion of responsible research. The fundamental imperative of research involving human participation is respect for human dignity and well-being. To this end, the University endorses the ethical principles cited in the Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans:

<http://www.pre.ethics.gc.ca>

McMaster University has mandated its Research Ethics Boards to ensure that all research investigations involving human participants are in compliance with the Tri-Council Policy Statement. The University is committed, through its Research Ethics Boards, to assisting the research community in identifying and addressing ethical issues inherent in research, recognizing that all members of the University share a commitment to maintaining the highest possible standards in research involving humans.

If you are conducting original research, it is vital that you behave in an ethical manner. For example, everyone you speak to must be made aware of your reasons for eliciting their responses and consent to providing information. Furthermore, you must ensure everyone understands that participation is entirely voluntary. Please refer to the following website for more information about McMaster University's research ethics guidelines:

<http://reo.mcmaster.ca/>

Organizations that you are working with are likely to prefer that some information be treated as confidential. Ensure that you clarify the status of all information that you receive from your client. You **MUST** respect this request and cannot present this information in class or communicate it in any form, nor can you discuss it outside your group. Furthermore, you must continue to respect this confidentiality even after the course is over.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MBA F713 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

ADDITIONAL HEADINGS

COURSE SCHEDULE

**F713
Securities Analysis
Tentative Winter 2022 Course Schedule**

WEEK	DATE	BKMPR CHAPTER OR TOPIC
1	Tue. Jan 9	Chapters 2 & 3
2	Tue. Jan 16	Chapter 17 – Macroeconomic and Industry Analysis
3	Tue. Jan 23	Chapter 18 – Equity Valuation Models
4	Tue. Jan 30	Risk – Assigned articles
5	Tue. Feb 6	Chapter 14 – Bond Prices and Yields
6	Tue. Feb 13	Writing an equity research report
7	Tue. Feb 27	Chapters 11 and 12
8	Tue. March 5	Chapters 5 and 6
9	Tue. March 12	Chapters 7 and 8

10	Tue. March 19	Chapters 9 and 10
11	Tue. March 26	Presentations and Debate
12	Tue. April 2	Presentations and Debate
13	Tue. April 9	Exam Review