

## **Seminar in Investments**

FINA 6312-001. Thursday 2-4:50pm, COBA 140

*The course syllabus provides a general plan for the course;  
deviations may be necessary.*

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Office Hours: 2:00-3:00 TR. I am willing to make appointments if you cannot meet during my office hours. I strongly encourage you to come by and see me if you need to do so.

Prerequisites: This course is for first and second year Ph.D. students interested in investments and financial economics. Exceptions are granted on an individual basis. Prior or concurrent course work in macroeconomics, microeconomics, mathematics, and statistics at the Ph.D. level are assumed as is successful completion of the seminar in theory of finance. Prior exposure to theoretical or empirical asset pricing is a plus but not required.

Course Objective: Research should be fascinating and packed with intellectual excitement. This course is a rigorous, quantitative, seminar course designed to introduce you to research opportunities in the area of investments. Each class is designed to familiarize you with current and important topics in the literature. The intent is to cover a large number of topics so that (hopefully) you will find topics that you like and may consider pursuing original research in that area.

Suggested texts: A quality master's level text in investments may be helpful in providing an overview of a particular area or concept. Other excellent references are i) The Econometrics of Financial Markets, by John Campbell, Andrew Lo, and Craig MacKinlay, 1997 and ii) Asset Pricing (Revised Edition) by J. Cochrane (2005).

Meetings: The class meets once per week for 15 weeks. The first class on 1/21 is an organizational meeting and no preparation is needed. The last class meeting is 5/12.

Additional Materials: Overheads and additional readings can be found on the class website (Blackboard).

Grading scale: Your grade will be computed relative to your classmates. Class GPA target is 3.5 (no +/-).

Assessment: Grades are based on weekly paper summaries and discussion (30%), two presentations (10%), paper replication (50%), and departmental seminar participation (10%).

Deliverables: Since this is a seminar class students will present the papers. Each week there will be 2 papers with 1 presented by a student. Some of the papers, especially towards the beginning

of the course, are theoretical works but most are empirical in nature. Selected papers will be presented by one student and a class discussion will follow. All students are expected to contribute in the post presentation discussion. The class will help develop several skills necessary for a successful thesis and academic career:

- Structured thinking: the ability to summarize the important/essential contributions of a paper in a concise way, and to put them in perspective.
- Critical thinking: the ability to ask probing questions about the papers you read, to think about the suitability of the author's approach, and to isolate key strengths and weaknesses of papers.
- Creativity: the ability to see existing research in a new light and to combine ideas from seemingly unrelated topics so as to create a new, original, research opportunity.
- Presentation skills: the ability to expose a set of ideas in a clear, concise, and well-organized way

To facilitate the development of these skills there are four deliverables.

1. Assignments. Each week there will be an assignment to review one of the discussion papers. All of the assignments will have the same basic format.
  - A maximum of 2 pages. Times New Roman 11 pt font, 1.5 line spacing, and 1 inch margins all around. Include a header that identifies you, the papers covered, and the date.
  - The summary must add value beyond the abstract.
  - Value can be created by drawing connections between the papers (similarities and differences).
  - Value can also be created by formulating, in your own words, in a concise manner the key insights of the papers.
  - For empirical papers a review of the data sets and methodology may add value.
  - What are your thoughts on how this literature should proceed? That is, what research opportunities can you identify? If you were to write a paper based on the 2-3 papers (and all other papers in this class, prior classes, and your independent readings) what would be the main research questions?
  - In discussing potential research opportunities try to be as specific as possible. If you were to devote the summer to conducting research on this topic or were to pursue the idea as a dissertation topic what is really worth doing?

There are a total of 13 assignments (1 paper per week). Your grade will be based on your best 11 submissions. This means there are potentially 2 "dropped" assignments. No late assignments will be accepted. All work MUST be completed individually and must be original (see the section on academic dishonesty below). Copying from others or simply copying from the papers defeats the purpose of the course and robs you of the

opportunity to develop important skills necessary for a successful academic career. You will only be evaluated on the value you add.

2. Presentation. For selected class meetings there will be one paper presentation which will be assigned to students the first week of class. The presentation should include;
  - A short introduction and motivation (limit references)
  - Model setup and research question/hypothesis
  - Main results
  - Evaluation/critique of the paper which lasts 10 minutes.
  - Practice the presentation aloud at home and time it. Maximum number of slides is 10. Cut slides if you cannot present in 20 minutes.

Think of the class meeting as a conference presentation session. You only have one shot at the presentation and the more you practice the more you are able to share in the allotted time. You will be penalized if you cannot complete the presentation in 20 minutes or do not manage to spend 5 minutes on the critical evaluation portion.

3. Participation. We will discuss each paper in depth. Students are expected to vigorously participate and lead these discussions. Since you have read the paper beforehand and have prepared a discussion document (the assignment), you are expected to actively participate.
4. Paper Replication. To be presented at the last meeting (scheduled final exam date). A 20 minute presentation briefly describing your replication paper. The replication paper will have the following
  - An introduction that motivates the topic and why the original research is important and was published in a quality journal.
  - Data section that includes descriptions of the variables of interest and how they are computed and how obtained (e.g. CRSP, Compustat, Morningstar, etc.)
  - Comparison of your results and the authors for the same and different sample periods.
  - Applicable tables (to be determined in advance – not all tables will be replicated).
  - Discussion on robustness of original paper's results.
  - A discussion of why your results differ from the original (if there is a difference) and the path required to finalize the project to prepare for submission to a journal.

Religious Holidays: Students who anticipate being absent from class due to a major religious observance must provide a written notice of the date(s) and event(s) to the instructor by the second meeting.

Students with Disabilities: If you have a disability, as defined by the Americans with Disabilities Act, that might impair your performance in this course, please inform me during the first week of class. You should also notify the Disability Resource Center at 272-3364 ([www.uta.edu/disability](http://www.uta.edu/disability)).

Academic Dishonesty:

All students are expected to pursue their scholastic careers with honesty and integrity. It is the philosophy of this Department, this instructor, and the University of Texas at Arlington that academic dishonesty is a completely unacceptable mode of conduct and will not be tolerated in any form. All persons involved in academic dishonesty will be disciplined in accordance with University regulations and procedures. Discipline may include suspension or expulsion from the University. “Academic dishonesty includes, but is not limited to, cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, or any act designed to give unfair advantage to a student or the attempt to commit such acts.”

(Regents Rules and Regulations, Part One, Chapter VI, Section 3, Subsection 3.2, Subdivision 3.22) Institutional procedures regarding charges of academic dishonesty are outlined in Part II, Chapter 2, of the Handbook of Operating Procedures of The University of Texas at Arlington. Copies of the Handbook are available at more than 75 locations on campus, including the Student Congress office, the Library, and the Finance/Real Estate Department office.

### Reading List and Class Schedule:

1. 1/21 Econometric Issues in Asset Pricing I.
  - a. Amaya, Christoffersen, Jacobs, and Vasquez (2015). Does realized skewness predict the cross-section of equity returns? *Journal of Financial Economics*, Vol. 118, pp. 135-167.
  - b. Adams, Hayunga, Mansi, Verardi (2016). Outliers. University of Texas Arlington, working paper.
2. 1/28 Econometric Issues in Asset Pricing II.
  - a. Fama and French (2016). Dissecting anomalies with a five-factor model. *Review of Financial Studies*, forthcoming.
  - b. Harvey, Lui, and Zhu (2016). ...and the Cross-section of expected returns. *Review of Financial Studies*, Vol. 29, No. 1, pp. 5-68.
3. 2/4 Puzzles and Anomalies I. **Begin Presentations.**
  - a. Kartashova (2014). Private Equity Premium Puzzle Revisited. *American Economic Review* Vol. 104 No. 10, pp. 3297-3334. (Basim)
  - b. McLean and Pontiff (2016). Does academic research destroy stock return predictability? *The Journal of Finance*, forthcoming. (Dhruba)
    - i. Suggested reading: Novy-Marx and Velikov, (2016). A taxonomy of anomalies and their trading costs. *Review of Financial Studies*, forthcoming.
4. 2/11 Puzzles and Anomalies II - Volatility.
  - a. Ang, Hodrick, Xing, and Zhang (2006). The cross-section of volatility and expected returns. *The Journal of Finance*, Vol. 61 No. 1, pp. 259-299. (Summer)
  - b. Stambaugh, Yu, and Yuan, (2015). Arbitrage asymmetry and the idiosyncratic volatility puzzle. *The Journal of Finance*, Vol. 70 No. 5, pp. 1903-1948.
5. 2/18 Puzzles and Anomalies III – Momentum.
  - a. Birro (2015). Confusion of Confusions: A test of the disposition effect and momentum. *Review of Financial Studies*, vol. 28 No. 7, pp. 1849-1873.
  - b. Allaudeen and Mian (2015). Industries and stock return reversals. *Journal of Financial and Quantitative Analysis*, Vol. 50 No 1, pp. 89-117. (Bailey)
6. 2/25 Puzzles and Anomalies IV – Size.
  - a. Gandhi and Lustig (2015). Size anomalies in U.S. bank stock returns. *The Journal of Finance*, Vol 70 No.2, 733-768. (Mohammed)
  - b. Chen, Hong, Huang, and Kubik (2004). Does fund size erode mutual fund performance? The role of liquidity and organization. *American Economic Review* Vol. 94 No. 5, pp. 1276-1302. (Jason)
7. 3/3 Puzzles and Anomalies V.
  - a. Kung and Schmid (2015). Innovation, growth, and asset prices. *Journal of Finance*, Vol. 70 No. 3, 1001-1037.
  - b. Hameed, Morck, Shen, Yeung (2015). Information, analysts, and stock return comovement. *Review of Financial Studies*, Vol. 28 No. 11. (Mosab)
8. 3/10 Markets and Prices
  - a. Adebamba, Brockman, and Yan (2015). Anticipating the 2007-2008 financial crisis: Who knew what and when did they know it? *Journal of Financial and Quantitative Analysis*, Vol. 50 No 4, pp. 647-669. (Mohammed)

- b. Callen and Fang (2015). Religion and stock price crash risk. *Journal of Financial and Quantitative Analysis*, Vol. 50 No 1, pp. 169-195. (Arati)
9. 3/24 Dividends
  - a. Harris, Hatzmark, and Soloman (2015). Juicing the dividend yield: Mutual funds and the demand for dividends. *Journal of Financial Economics* 116, 433-451. (Druba)
  - b. Jagannathan and Marakani (2015). Price-dividend ratio factor proxies for long-run risks. *Review of Asset Pricing Studies*, Vol. 5 No. 1.
10. 3/31 Real Estate and Alternative Investments
  - a. Kurlat and Strobel (2015). Testing for information asymmetries in real estate markets, *Review of Financial Studies*, Vol. 28 No. 8. (Bailey)
  - b. Dimson, Rousseau, and Spaenjers (2015). The price of wine. *Journal of Financial Economics* 118, 431-449.
11. 4/7 Investment Management I.
  - a. Massa and Yadav (2015). Investor sentiment and mutual fund strategies, *Journal of Financial and Quantitative Analysis*, Vol. 50 No. 4, pp. 699-727. (Summer)
  - b. Doshi, Elkamhi, and Simutin, (2016). Managerial activeness and mutual fund performance. *Review of Asset Pricing Studies*, forthcoming.
12. 4/14 Investment Management II.
  - a. Sialm, Starks, and Zhang (2015). Defined contribution pension plans: Mutual fund asset allocation changes. *American Economic Review* Vol. 105 No. 5, pp. 1276-1302.
  - b. Sialm, Starks, and Zhang (2015). Defined contribution pension plans: Sticky or Discerning Money? *Journal of Finance*. (Jason)
13. 4/21 Investment Management III.
  - a. Berk and Binsbergen (2015). Measuring skill in the mutual fund industry. *Journal of Financial Economics*, Vol. 118, pp. 1-20.
  - b. Jenkinson, Jones, and Martinez (2016). Picking winners? Investment consultants' recommendations of fund managers. *The Journal of Finance*, forthcoming. (Mosab)
14. 4/28 Investment Management IV.
  - a. Kumar, Niessen-Ruenzi, and Spalt (2015). What's in a name? Mutual fund flows when managers have foreign-sounding names. *Review of Financial Studies* Vol. 28 No. 8. (Arati)
  - b. Akbas, Armstrong, Sorescu, and Subrahmanyam (2015). Smart money, dumb money, and capital market anomalies. (Basim)
15. 5/12 Paper presentations. 2-4:30.