

## **Week #14 – Exam #4 Starting This Wednesday – Beginning Options & Futures Next Week**

Welcome to week #14. We are ready to have exam #4. It will be available starting this Wednesday night (April 30<sup>th</sup>) and be available until this Sunday night (May 4<sup>th</sup>). It will cover bonds (chapters 9 and 10 with some material from 18, 19, and 20) and diversification & asset allocation (chapter 11). There will just a few questions hybrid securities (preferred stock and convertible securities) but no calculations. You will need the bond formulas and present value tables with you when you take the second portion of the exam. Make sure you understand and can do the calculations in the worksheets (which are exactly the same as the calculations in the chapter 10 assignment). Remember that answer keys and commentaries are available for each worksheet on the class web page. There will also be a Constant Perpetual Growth Model and a Discounted Cash Flow Model (a.k.a. Dividends and Earnings Model) problem. These are from chapter 6. (Do you get the nagging feeling that we want you to know how to do these problems? *Yes!*)

As we have said before, the book goes into far more detail about bonds than is necessary. Make sure you understand the material that is in the presentations and lectures. Remember that there are two books on reserve in the library.

With the completion of chapter 11, we have finished the most important material in ur class. Our next topics are options & futures (derivatives) and then buying on margin & shorting. Although you need to know these topics, hopefully you will stay far away from them as an investor especially derivatives (options & futures) and shorting. We will discuss them in detail in the coming weeks along with short discussions on brokerage firms and account types. We will end the semester with some short presentations on other investment alternatives including real estate, precious metals, and other hard assets. Note: None of these future topics will be on exam #4.

We are getting near the end, Folks. There are only four weeks of instruction left. That means you have no time to waste! Please submit any assignments that you have, even if they are late. You already know how I am going to end this, right?

Don't Give Up! *Never* Give Up!

Sincerely,

Frank Paiano

P.S. Exam #4 on bonds (chapters 9, 10, and a little bit from chapters 18, 19, 20) and diversification & asset allocation (chapter 11) will be available starting this Wednesday. There will be only a few questions about hybrid securities (preferred stock and convertible securities) but no calculations. *Good Luck, Everyone!* Study hard and bring honor and glory to Southwestern College!