

COURSE		FINA 521 Investment Analysis
	Times	Saturdays, 9:00 am – 12:20 pm
	Venue	Room 3006
	Dates	30 October – 18 December
INSTRUCTOR		Prof. Arkadev Chatterjea, <i>Ph.D. (Cornell)</i>
	E-mail	ac286@cornell.edu
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	Phone	
COURSE WEBPAGE		

A. DESCRIPTION

The academic discipline of *modern finance* was created during the forties, fifties and sixties with pioneering contributions by Nobel Laureates Tobin, Markowitz, Modigliani, Miller, Sharpe, Fama, Samuelson, Black, Scholes, Merton, and others. A whole range of ideas and models such as *Risk-Return Tradeoff*, *Capital Asset Pricing Model (CAPM)*, *Arbitrage Pricing Theory (APT)*, got developed. They constitute the *Investments theory* [also known as the *Modern Portfolio Theory (MPT)*], which influences the investment of trillions of dollars around the globe.

This course introduces some basic tenets of the *Investments theory*. It presents an analytical framework for asset allocation which shows how to combine different stocks to create and manage a portfolio of securities and evaluate how the portfolio has performed.

An understanding of *Investments theory* will help you better understand other specialized finance areas such as Derivatives and Risk Management, Fixed Income Securities, International Finance, and son on. This course will make you marketable in many finance careers and help you make wiser personal investment decisions (standard disclaimers apply!).

B. COURSE MATERIAL

Required

- Frank K. Reilly and Keith C. Brown, *Investment Analysis and Portfolio Management*, 7th Edition, South-Western, 2003. Referred as Reilly-Brown, or RB or “the text.”
- Class Handouts and assignments.

Recommended

- Burton G. Malkiel “*A Random Walk Down Wall Street*,” 8th edition, W.W. Norton and Company, New York, 2003. A classic text written by an academic-practitioner who distills his vast knowledge and wisdom about the markets and talks about investment strategies.

- Regular reading of business newspapers and magazines such as *The Asian Wall Street Journal*, *BusinessWeek*, *the Economist*, *Financial Times*, *Fortune*, *Forbes*, *Money*, and so on.

C. EXAMS AND GRADING

Problem Sets (best 4 will be chosen, 50 points each)	200 points
Investments Game (STOCK-TRAK Group Project)	300 points
Final	<u>500 points</u>
TOTAL	1,000 points (100%)

- Please bring a calculator to classes and the final exam.
- For the final exam, you may bring two pieces of papers (A4 size or 8 1/2 by 11 inches each) on which you may write/type/print whatever you like. Otherwise, the exam is closed book, closed notes, etc.
- Points will be added up to get total points out of 1,000. The class curve is based on total points for the course. Grading is done on a *relative* (not absolute) basis. Finance Department's standard grading policy will be followed.
- Form groups (self-selected groups with 4 or 5 members) for the STOCK-TRAK Investments Project. Each group will create, monitor, and report performance of a securities portfolio and make class presentations on the last day of classes and submit a report. Grade allocation—150 points for the presentation, and 150 points for the Final Report.

D. "GETTING TO KNOW YOU" PROGRAM!

At the beginning of each class, please collect the card with your name and put it in front of you. At the end of the class, please return it to me so that I can keep track of your attendance. While there is no seat assignment, occupying the same seat every time gives me a chance to relate your names with faces. To minimize disruption, please come on time (within 15 minutes of class starting). Furthermore, I expect your to participate and contribute to class discussions.

Points will be deducted from your total grade for absences as follows:

- Miss up to 2 lectures, no deductions.
- Miss 3 lectures, 10% (100 points) deduction.
- Miss 4 lectures, 20% (200 points) deduction.
- Miss 5 lectures, 30% (300 points) deduction.

Heavy deductions are very likely to move you into failure range.

E. OUTLINE OF TOPICS (tentative)

Required materials are given below. Recommended materials are separately identified.

<u>Date</u>	<u>Readings and Assignments</u>
30 October	Chapter 1 (The Investment Setting), Chapter 2 (The Asset Allocation Decision), and Chapter 3 (Selecting Investments in a Global Market) Stock-Trak group formation
6 November	<i>Jarrow-Turnbull-Chatterjea</i> (Markets and Trading Process); <i>Reilly-Brown</i> Chapter 4 (Organization and Functioning of Securities Markets), Chapter 5 (Security Market Indicator Series), Chapter 25 (Professional Asset Management) Problem Set 1 due
13 November	<i>Reilly-Brown</i> Chapter 7 (An Introduction to Portfolio Management), Chapter 8 (An Introduction to Asset Pricing Models) Problem Set 2 due
20 November	<i>Reilly-Brown</i> Chapter 8 (cont'd) Chapter 9 (Multifactor Models of Risk and Return) Problem Set 3 due
27 November	<i>Reilly-Brown</i> Chapter 26 (Evaluation of Portfolio Performance), Chapter 21 (An Introduction to Derivative Markets and Securities- <i>Recommended material</i>), Material from <i>Jarrow-Turnbull-Chatterjea</i> (derivative markets, basic derivatives, arbitrage, futures and forwards markets, cash and carry,) Problem Set 4 due
4 December	Material from <i>Jarrow-Turnbull-Chatterjea</i> (hedging with futures, options markets, options strategies, put-call parity) Problem Set 5 due
11 December	Stock-Trak project-Final presentation Review of course material Problem Set 6 due
13 December	Stock-Trak Final Report due in department office by 12 noon
18 December	Final Examination