

Hong Kong University of Science and Technology
FINA 521: Investment Analysis
Fall 2006

Course Syllabus
(revised on Sept 12)

Instructor: Professor Lynn Pi
Office: Room 2456
Phone: 2358 7687
E-mail: lynnpi@ust.hk

Teaching Assistant: Mr. Yuanto Kusnadi
E-mail: yuanto@ust.hk

Class time: L1: Saturdays (Sept 9 – Oct 28) 2:30 – 5:50 pm
(Oct 14) 1:40 – 5:00pm
Room 3219
L4: Saturdays (Sept 9 – Oct 28) 9:30 am – 12:50 pm
Room 4333

Course Website: <http://webct.ust.hk~fina521>

Course Description

This course is designed to introduce students to the theory and practice of portfolio management and asset pricing. We will discuss investment theories such as portfolio optimization, the Capital Asset Pricing Model (CAPM) and estimation of index model. We will also provide an introduction to stock and bond valuation. The course will conclude with portfolio performance evaluation techniques.

Prerequisites

Basic knowledge on economics and statistics is necessary. The textbook provides a quantitative review section on probability theory and regression analysis in the Appendix which might be helpful to you. We will also be using EXCEL spreadsheet program extensively throughout the course so it is important that you brush up your skills in this program.

Reading Materials

- (a) Textbook: *Investments* by Bodie, Kane and Marcus. McGraw-Hill, 6th edition, 2005.
- (b) Lecture notes: posted on course website
- (c) Selected articles: for reference and posted on course website

Homework

Problems from the textbook will be assigned as homework. These homework will not need to be turned in or graded, but it is very important that you complete them, because they are helpful not only for understanding the concepts covered in classes, but also for preparing quizzes and the exam.

Assessment

You will be assessed based on your performance in a mix of coursework including quizzes, written reports and presentation of team projects, class participation and a final exam.

I. Quizzes

There will be four quizzes but only the three highest points will be counted towards your grade. All quizzes are closed book and in multiple choice format. They will be held at the beginning of the class on the scheduled dates so please make sure that you come to class on time. There is NO make up for quizzes.

II. Team Projects

During the term, you will need to submit two written reports and make one class presentation on a team basis. Before the third class, you should form a team of 4 or 5 members and submit the member list at the beginning of the third class. Each team should have a name, e.g. Positive Asset Management. For the two team projects, all members of a given team will receive the same points. Each team must turn in a typed write-up at the beginning of the class of the due date. Late submission will receive heavy penalty.

1. Portfolio Optimization Report

You will need to use Excel spreadsheet program and provided data to construct efficient portfolios and determine optimal asset allocation. A written report with numerical results is required.

2. Stock Valuation Report

You will need to find a stock trading on the main board of the Hong Kong Stock Exchange which is likely to be undervalued. In addition to written analysis, each team has to make a short presentation to the class. The class will vote on the best presentation of which the team will earn bonus points.

III. Class Participation

You are expected to actively participate in and contribute to class discussion to make your learning experience more positive and meaningful. Your participation will also affect your grade marginally.

IV. Peer Evaluation

At the end of the course, you will be asked to evaluate the contribution and performance of each of your team member in the team projects.

V. Exam

The examination consists of short essay questions and numerical problems. It will be a mixture of quantitative and qualitative problems. It is closed book but you are allowed to bring in a two-sided A-4 size *cheat sheet*. However, all notes and formula on the cheat sheet must be handwritten, or printed in Times New Roman font with a minimum font size of 12 point. Absence from the exam will not be excused except for serious medical reasons supported by doctor's letter.

Assessment Weighting

Quizzes (Best 3 out of 4)	30 points
Team Projects	
Portfolio optimization (report)	15 points
Stock valuation (report and presentation)	15 points
Class Participation	5 points
Peer Evaluation	5 points
Exam	30 points
Total	100 points

Class Schedule (Revised)

Date	Topic	Readings	Remark
Sept 9	Introduction to Investment Environment	Ch. 1 – 3	
Sept 16	Return and Risk	Ch. 5 – 6	
Sept 23	Modern Portfolio Theory	Ch. 7 – 8	Quiz 1
Sept 30	CAPM & Index Models	Ch. 9 – 10	Quiz 2 Portfolio optimization report due
Oct 7	Stock Valuation	Ch. 18	Quiz 3
Oct 14	Bond Valuation	Ch. 14	Quiz 4
Oct 21	Portfolio Performance Evaluation	Ch. 24	Stock valuation report due and presentation
Oct 28	Exam		