

*Hong Kong University of Science & Technology*

**FINA 522: Equity Investment Management**

Fall 2008

Instructor: Prof. Bruno Solnik  
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I will respond to emails asking questions. But please try to find answers to your questions before contacting me.

Office hours: By appointment.

Assistant: TBA

Class Schedule: November 1 to December 13, Saturdays from 14:30 to 18:20, Room: 4006.

Final exam: December 13. No make up exam possible.

Course Website: <http://lmes2.ust.hk/portal>

**Notes:**

- Professor Solnik is somewhat new to HKUST. Hence a short description of his past experience is given in the document "*Background Information on Professor Bruno Solnik*" on the LMES website.
- This is the first version of the syllabus. **Updated versions** will be posted as the course develops. Please make sure you check the website.
- Slide presentations will be posted shortly after each class.

## **COURSE OBJECTIVE:**

The course will discuss equity investment management in a global context. The objective of the course is to prepare students to manage global equity portfolios for institutional or private clients. The concepts are not easy and technical tools are sometimes required. But the objective is to present modern investment management methods as used by major global asset managers.

The course will cover the investment process spectrum from optimizing asset allocation to performance measurement and attribution. The major themes that will be covered are:

- Global allocation: diversification, risk/return optimization.
- Foreign exchange risk in investment management: analysis and hedging
- Equity markets and instruments.
- Equity analysis: Concepts and techniques.
- Investment styles and vehicles
- Using derivatives; hedge funds.
- Evaluation of performance : performance measures, market timing, information ratio, performance attribution

## READINGS

### *1. Required readings in Textbook*

Bruno Solnik and Dennis McLeavey, *Global Investments*, 6<sup>th</sup> edition, Pearson Prentice Hall, 2009 (reference book)

### *2. Required Cases*

A couple of cases on LTCM will be assigned. They are to be prepared in groups.

### *3. Additional Material*

Various materials will be periodically posted on the website, including lecture slides. They are not required reading.

### *4. Prerequisite*

FINA 521 is a prerequisite. This course assumes that you know the basic risk return calculations (sigma, correlation), CAPM, futures and options.

## MISCELLANEOUS

- Bring a calculator or laptop for each class. Bring a calculator for the exam.
- Form groups of 5. Register group with TA.
- Arrive on time for each class; I am old-fashioned and hate the disruptions of late arrival.

## ASSESSMENT

You will be assessed on your performance in a mix of written problem sets and cases, participation in class discussions, and a final exam.

While the problems and reports have to be prepared and turned-in in groups, I will call individuals to give their answer in class. So each member of the group is expected to be able to present the group solution to the class.

The final exam will be open book (all documents allowed). You must bring a calculator (no computer allowed).

- Written problem sets and cases: 30%
- Participation: 20%
- Final exam: 50%

**TENTATIVE PROGRAM** (WILL BE UPDATED AS WE PROCEED)

**Class 1, November 1<sup>st</sup>:**            ***The investment field.***  
***The case for global diversification***

- Readings BEFORE class, Chapter 13, pages 581-594.

**Class 2, November 8:**            ***Global Asset Allocation and Currency risk***

- *Problem Set Class 2* due.
- Readings BEFORE class: Chapter 9.

**Class 3, November 15:**        ***Global Equity Valuation***

- *Problem Set Class 3* due.
- Readings BEFORE class: Chapters 2, 11.
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**Class 4, November 22:**        ***Investment Styles and Vehicles***

- *Problem Set Class 4* due.
- Readings BEFORE class: Chapter 6.

**Class 5, November 29:**        ***Hedge Funds***

- *Problem Set Class 5(LTCM)* due.
- Readings BEFORE class: Chapter 8 Pages 319-332, Chapter 5, pages 185-196.

**Class 6, December 6:**        ***Performance Evaluation***

- *Problem Set Class 6* due.
- Readings BEFORE class: Chapter 8, pages 351-368.
- Readings AFTER class: Chapter 12.