

**HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**FUNDAMENTALS OF INVESTMENTS II**  
**FINA 528**

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Class Hours: Wednesday 19:00 – 22:30 hrs

Class Venue: Pacific Place Conference Centre, 5/F, One Pacific Place, Admiralty

TA: Zheng Xiaohong

**Course Description:**

This course covers the basics of fixed income instruments – their pricing and valuation. We are also going to apply option pricing techniques to value option embedded fixed income securities. [A tentative list of sub-topics is given alongside].

While much of the course covers the same topics as in the CFA Level I Asset Valuation – Debt Securities - it is worth mentioning that preparing for this portion of the CFA course requires independent review.

*Text book: Frank Reilly and Keith Brown, Investment Analysis and Portfolio Management (Dryden)* is the recommended textbook for this course since this book has been used in an earlier pre-req course (FINA 521). However, lecture notes and supplemental readings will mostly be sufficient and the book could provide additional reference material.

Attending all the lectures is an absolute must. Since each session is worth approximately 14% of the course, I would have difficulty evaluating a student if he/she misses a class session.

**Course evaluation:**

Class Participation (discussion of 5 assignments)	20%
FINAL EXAM	80%

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100%

## BRIEF OUTLINE

### R&B: Reilly and Brown 5E

No.	Date of Session	Topic	Reference Reading (R&B)	Class Participation
1	Mar 31	Introduction, Basics of Fixed Income Analytics	Ch. 15, 16 (pg. 525 - pg. 542)	
2	April 7	Interest Rate Risk Management	Ch. 16 (pg. 561-581), Ch. 17 (pg. 591 - pg. 622)	Assignment # 1
3	April 14	Term Structure of Interest Rates	Ch. 16 (pg. 543- pg. 560)	Assignment # 2
4	April 21	Instruments used in Interest Rate Risk Management	Ch. 25 (pg. 824 - pg. 843), Ch. 25 (pg. 916 - pg. 928)	Assignment # 3
5	April 28	Derivative pricing techniques	Ch 24 (pg. 889 - pg. 907)	
6	May 5	Option Embedded Bonds	Black, Derman, and Toy	Assignment # 4
7	May 12	Mortgage Backed Securities		Assignment # 5
8	May 19	FINAL EXAM		