

Hong Kong University of Science & Technology

Investment Analysis and Portfolio Management (FINA221)

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Consultation hours: by appointment

Lectures: Monday & Wednesday 3:30 – 4:50pm, Room 1403

COURSE DESCRIPTION

We will introduce the fundamentals of the modern investment theory. They include the portfolio theory, CAPM, multi-factor assets pricing models, option pricing theory, bond investment and some basics of portfolio management and evaluation. Basics of trading securities will also be covered.

PREREQUISITES

The prerequisite for this course is the FINA 111.

The material covered in this course is quite mathematical. You might have to spend some time revising what you have learnt in the introductory statistics, microeconomics course.

It is advisable that you know how to work with Microsoft EXCEL.

REQUIRED READING MATERIALS

1. Textbook

Z. Bodie, A. Kane and A.J. Marcus (BKM), **Investments** (6th edition), Mc-Graw Hill Irwin, 2005; a copy will be put in the library reserve.

2. Supplementary Materials

Supplementary materials will be available in library reserve.

Reuters Demonstration Workshop

The workshop will be held on Feb. 23rd (Wed.) from 3:30-4:50pm (session 1) and from 5-6:20pm (session 2)

at Library Computer Lab (LG1332 on LG1, Library; next to Media Resources).

Evaluation

The course evaluation is as follows:

Assignments	25%
Short essay (WSC)	5%
Midterm exam	30%
Final exam	40%

Assignments

Most of the assignments will be the end-of-chapter exercises of the textbook. There will be 2-3 assignments.

Examinations

There will be a mid-term and final examination. They will comprise MC, short questions and long questions. Short questions test simple calculations and concepts. Long questions require analysis.

COURSE OUTLINE

Week 1	Introduction and Financial Instruments & Markets Reading: BKM Chapter 1, 2.
Week 2	Trading securities Reading: BKM Chapter 3, supplementary materials
Week 3	Trading securities Reading: BKM Chapter 3,
Week 4	Portfolio Theory; Reuters Demonstration Reading: BKM Chapter 5, 6; supplementary materials (from librarian)
Week 5	Portfolio Theory Reading: BKM Chapter 7, 8
Week 6	Capital Asset Pricing Model Reading BKM Chapter 9
Week 7	<u>Mid-term;</u> Capital Asset Pricing Model Reading BKM Chapter 9
Week 8	The Multifactor Models Reading: BKM Chapter 10
Week 9	EMH & Behavioral Finance Reading: BKM Chapter 12, supplementary material
Week 10	Fundamental Analysis Reading: BKM Chapter 17, 18
Week 11	Option Reading: BKM Chapter 20
Week 12	Option Reading: BKM Chapter 21
Week 13	Bond investment Reading: BKM Chapter 14
Week 14	Performance evaluation Reading: BKM Chapter 24