

Hong Kong University of Science & Technology

Investment Analysis and Portfolio Management (FINA221)

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Consultation hours: by appointment

Lecture (1): Tuesdays & Thursday 9:00 – 10:20pm, Room 3006

Lecture (2): Tuesdays & Thursday 12:00 – 13:20pm, LTH

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** (latest 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.

Evaluation

The course evaluation is as follows:

Assignments	20%
Midterm exam	25%
Final exam	55%

Assignments

Most of the assignments will be the end-of-chapter exercises of the textbook. There will also be writing assignment.

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;**
Reading: BKM Chapter 5, 6;
- Week 5** **Portfolio Theory**
Reading: BKM Chapter 7, 8
- Week 6** **Capital Asset Pricing Model**
Reading BKM Chapter 9
- Week 7** **Mid-term;**
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