Hong Kong University of Science & Technology
Investment Analysis and Portfolio Management (FINA221)

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Consultation hours: by appointment
Lecture : Mondays & Wednesday 12:00 – 13:20am, Room 4620

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 strategies will also be covered.

PREREQUISITES
The prerequisite for this course is the FINA 111.
The material covered in this course is mathematical. You need 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.

READING MATERIALS
1. Reference/textbook
Z. Bodie, A. Kane and A.J. Marcus (BKM), **Investments** , Mc-Graw Hill Irwin; a copy will be put in the library reserve.
2. Supplementary Materials
Supplementary materials will be distributed.

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.

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	**Expected utility theory; Portfolio Theory;** Reading: BKM Chapter 5, 6; supplementary materials
Week 5	**Portfolio Theory** Reading: BKM Chapter 7; supplementary materials
Week 6	**Capital Asset Pricing Model** Reading BKM Chapter 9; supplementary materials
Week 7	**Mid-term;** **Capital Asset Pricing Model** Reading BKM Chapter 9; supplementary materials
Week 8	**The Multifactor Models** Reading: BKM Chapter 8
Week 9	**Arbitrage pricing theory** Reading: BKM Chapter 10, supplementary material
Week 10	**EMH; Stock valuation model** Reading: BKM Chapter 11,18
Week 11	**Bond investment** Reading: BKM Chapter 14
Week 12	**Option** Reading: BKM Chapter 20
Week 13	**Option** Reading: BKM Chapter 21
Week 14	**Performance evaluation** Reading: BKM Chapter 24