



Investment Theory

SHORT COURSE DESCRIPTION

This course takes an in-depth look at investment analysis and portfolio management. The overarching objectives are that students (1) gain a deep intuitive understanding of the concepts used in investment analysis, (2) learn the tools used in investment analysis, including excel modeling and regression analysis, and (3) gain confidence in applying the concepts and tools in managing a portfolio. We emphasize the economic logic underlying each concept, and we train students to recognize the right concepts and tools to apply in making investment decisions. By then conclusion of the course, students should be knowledgeable to various financial securities and financial markets of the world, understand the role of risk in assessing the value of a financial security, and lastly, understand the relation between various financial securities in order to achieve optimal portfolio selection.

READING MATERIALS

Textbook: Bodie, Kane & Marcus, Essentials of Investments, 2019, 11/e, McGraw Hill, ISBN 978-1-260-01392-4.

Calculator: You will need to use a calculator to solve homework and exam questions. You can use a scientific, financial, or graphing calculator. The calculator must have “time value of money” functions for this course.

Excel: You will need access to Excel for in-class exercises and out of class homework.

COURSE REQUIREMENTS AND GRADING

The primary method of instruction will be lectures and class discussions. The material in the course is such that it requires a significant amount of quantitative analysis. The lectures too will emphasize the quantitative aspects of Investment Analysis and Portfolio Management. The text is meant to be a learning tool that supplements the lectures. In many cases, the lecture will present material in a manner quite different from that in the text. Attendance, therefore, is extremely important.

- **Exams:** There will be 3 exams for the course; two midterms each representing 25% of your final grade and a final exam also representing 25% of the final grade. While the exams are not cumulative, many of the tools learned in the prior sections of the course will show up again on subsequent exams. All exams will be a combination of True/False, Multiple Choice, and Numeric Problems. Points will only be given for correct answers (no partial credit).
- **Homework:** Homework will be given periodically throughout the semester. These assignments will be due at the beginning of the next class. Points will only be earned for each correct answer (no partial credit). Take home quizzes/homework will count as 25% of the final grade.
- **Attendance:** Students are required to attend a minimum of 80% of all classes. For each class missed beyond this minimum threshold, 5 points will be subtracted from the student’s overall grade.

	Percent of total
Midterm 1	25%
Midterm 2	25%
Final Exam	25%
Homework	25%
TOTAL	100%

Academic Dishonesty is never acceptable and will result in an automatic failing grade for the course.

COURSE SCHEDULE

– WEEK I –

Monday (27 June)

Syllabus Review, Introduction to Financial Securities and Asset Classes

Tuesday (28 June)

Trading, Financial Companies and the Financial Crisis

Wednesday (29 June)

Risk and Return

Thursday (30 June)

Risk and Return, Introduction to Portfolio Optimization

– WEEK II –

Monday (4 July)

Exam 1

Tuesday (5 July)

Portfolio Optimization

Wednesday (6 July)

Beta and the CAPM

Thursday (7 July)

Multi-Factor Models

– WEEK III –

Monday (11 July)

Efficient Markets

Tuesday (12 July)

Exam 2

Wednesday (13 July)

Time Value of Money

Thursday (14 July)

Bond Pricing and Yield Curves

Friday (15 July)

Equity Pricing

– WEEK IV –

Monday (18 July)

Equity Pricing / Derivatives

Tuesday (19 July)

Exam 3