

INVESTMENT MANAGEMENT
FINA - 4320
COURSE OUTLINE – FALL 2019

INSTRUCTOR

RAJKAMAL VASU

OFFICE: MH 220G

EMAIL: rkvasu@bauer.uh.edu

CLASS SCHEDULE

DAY: TUESDAY/THURSDAY

OFFICE HOURS: THURSDAY 4:30 – 5:30 PM

COURSE DESCRIPTION

This three-credit undergraduate course focuses on introductory financial theories and their real-world financial applications that are useful in investment decision-making process.

Students will acquire a solid grasp of modern investment theory and practice. This will include the understanding of the following:

- The institutional environment i.e., type of products traded and the trading mechanism.
- The trade-off between risk and return in a portfolio consisting of several assets.
- The pricing of each product: equity and debt securities

The hallmark of modern portfolio theory is a mathematical and statistical approach to these questions. This approach is used by most investment banks, hedge funds and portfolio managers. Part of this course and the exams will therefore be quantitative in nature.

This course is divided into three parts:

Part I – *Elements of Investments*

Part II – *Portfolio Theory*

Part III – *Debt Securities*

PREREQUISITES:

FINA 3332 (Principles of Financial Management)

ECON 2304 (Microeconomic Principles)

STAT 3331 (Statistical Analysis for Business Applications I)

REQUIRED READINGS

Required Text

Essentials of Investments, 11th Edition, by Zvi Bodie, Alex Kane, and Alan J. Marcus (Henceforth “BKM”).

Here are the ISBNs for the purchase and rental options:

- Textbook Rental (150 days): 9781260013924
- ebook Rental (180 days): 9781260916294
- ebook Purchase: 9781260922141

Earlier editions of the textbook, for example, editions 9 and 10, are acceptable.

OTHER RESOURCES

You may want to use these other resources to give you additional insights.

<https://www.economist.com>: An excellent source of news and economic and financial topics with a strong international focus.

<http://finance.yahoo.com>: Good source for historical financial data.

<http://www.ft.com>: Good for news and weekly surveys on investments, banking, finance, etc.

<http://www.ftmarketwatch.com>: Web site from the Financial Times; more focused on finance and investments.

[The Wall Street Journal](#): Keep abreast of daily events.

<http://nber.org>: National Bureau of Economic Research. Useful links to economics websites plus historical statistics.

<http://www.finweb.com>: Comprehensive set of links to many useful sites in finance.

<http://www.nyse.com>: Web site of the New York Stock Exchange.

<http://www.londonstockexchange.com>: Website of the London Stock Exchange, one of the leading international markets.

<http://www.federalreserve.gov/releases/h15/data.htm>: Website of the Federal Reserve Board. A good source for historical government bond data and yields.

TENTATIVE COURSE SCHEDULE

Part I – Elements of Investments

Week 1	Investments: Background and Issues	BKM: Ch-1
Week 1-2	Asset Classes and Financial Instruments	BKM: Ch-2
Week 3	Securities Markets	BKM: Ch-3

Part II – Portfolio Theory

Week 3-4	Risk, Return, and the Historical Record	BKM: Ch-5
Week 5-8	Efficient Diversification	BKM: Ch-6
Week 8-10	Capital Asset Pricing and Arbitrage Pricing Theory	BKM: Ch-7

Part III- Debt Securities

Week 11-12	Bond Prices and Yields	BKM: Ch-10
Week 13	Managing Bond Portfolios	BKM: Ch-11

Final Examination: During the regular final exam period

COURSE EVALUATION

The course evaluation is based on the criteria mentioned below, with a maximum possible score of 105 points:

Midterm Exams (40 points): Two midterm exams, 20 points for each. Midterm 1 will be held on September 24th and midterm 2 on October 31st.

Final Exam (30 points): The final exam will be held on December 10th.

All exams will be closed-book and in-class. The material to be covered in each exam will be announced in class.

If you score higher in a later exam, that score will replace the earlier exam's scores. For example, if you score higher in midterm 2 than in midterm 1, the midterm 2 score will replace the midterm 1 score. If you score higher in the final exam than in either/both of the midterms, the final exam score will replace either/both of the midterm exam scores.

Assignments and Excel Exercise (25 points): Three assignments for 5 points each and an excel exercise for 10 points. The assignments are due on September 17th, October 24th and November 19th. The excel exercise is due on November 17th. *Late submissions will not be accepted.*

Quizzes (5 points): There will be up to six in-class quizzes. Each quiz will consist entirely of multiple choice questions. I will consider your best three quiz scores across all the quizzes. The dates and the material for the quizzes will be announced in class.

Class Attendance and Participation (5 points): Students are encouraged to ask questions and initiate insightful discussions among fellow classmates. Participation is extremely important; merely attending every class does not guarantee full points.

UNIVERSITY POLICIES

University of Houston values academic honesty. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the code of student conduct and disciplinary procedures (see <https://www.uh.edu/dos/behavior-conduct/student-code-of-conduct/>). If a student is found to commit any act of academic dishonesty during exams, he/she will automatically receive an F for the class and he/she will be reported to the Chair of the Department of Finance.

As students enrolled in courses offered by the Bauer College, you are expected to adhere to the ethical principles described in the Bauer Code of Ethics and Professional Conduct (Bauer Code), in addition to those required by the UH Student Handbook. You may review the Bauer Code by clicking on the following link - <http://www.bauer.uh.edu/centers/bcbe/bauer-code-of-ethics.php>. You may obtain a copy of the UH Student Handbook from the Dean of Students Office located in room 256 of the Student Center South, or by visiting the publications webpage on the Dean of Student's website at <https://www.uh.edu/dos/resources/student-handbook/>.

If you have a disability please contact the instructor to arrange a time to discuss your situation. It would be helpful if you contact the Center for Students with Disabilities at (713) 743-5400 or online at (<http://www.uh.edu/csd>) before you do this.

CLASSROOM POLICIES

No cell phones allowed during class. Cell phones must be turned off while in class.