

**FIN 3102B**  
**Investment Analysis & Portfolio Management**

**[TENTATIVE COURSE OUTLINE]**

**Instructor:** Johan Sulaeman

Semester 1, AY 2017/2018

Office: BIZ1 #07-59

Class Meetings:

Phone: 6516-1403

**Tuesdays**, 11am-2pm (BIZ1 #02-05)

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Office Hours: By appointment (see below)

**Course Objective**

The objective of this course is to provide a lasting conceptual framework in which to view financial markets and to examine new ideas, concepts, and instruments as they evolve in the future. This course covers a great deal of material. The content consists of a mix of descriptive material, theoretical models, and model applications. We shall cover fundamental analysis and security valuation on stocks, bonds, and derivatives, as well as modern portfolio management. On completion, students should be conversant in investment management in preparation for careers in financial analysis and financial planning, investment banking, and corporate finance.

After completing the course, students should be able to:

1. understand how assets are priced in financial markets,
2. understand the importance of asset correlation in portfolio construction,
3. identify signals of stock mis-pricing, and
4. understand practical considerations in constructing portfolios.

**Course Description**

This is a course in the theory and applications of risk and return in capital markets. This course will present the paradigm by which financial securities are valued and provide a framework for making investment decisions. Topics include the measurement of risk, diversification, optimal portfolio selection, asset pricing models, and market efficiency, as well as empirical evidence pertaining to these theories and practices.

Since the course emphasizes fundamental concepts underlying modern portfolio theory, the approach will be analytical and rigorous. As such, students are expected to be comfortable with probability and statistics. The course employs assignments, classroom lectures and discussions, and numerical problems to convey the material. Some work will be done individually and some in groups. **Each student is expected to contribute regularly to classroom discussion.** This is particularly true when we discuss assignments, but also during lectures and general discussions.

The material for this course needs to be absorbed consistently. As the course progresses, students should work on the suggested textbook problems and homework assignments to prepare for projects and quizzes. All these problems are essential for a full understanding of the material covered in the course. Students should find it helpful to read the assigned readings **before** we cover the material in class; in general the difficulty of the material covered in class will be **at least** that of the textbook.

**Prerequisites**

- Finance (FNA2004)
- Statistics (BZ1008/ST1131A)

**Course Material**

1. **Textbook:**

**Investments - Asia Global Edition (ISBN: 978-007-126228-6)**

Authors: Bodie, Kane, **Jain**, and Marcus

2. **Financial calculator**

Each student is required to bring a calculator to all classes and quizzes. Any calculator that has an **x<sup>y</sup>** button will do. Because of the variety of calculators used, students will be expected to learn how to use their calculators on their own.

3. **Class presentation slides** and **Excel spreadsheets** will be posted on **IVLE**.

Please note that the materials do not comprise self-contained lectures. Rather, the intent is to reduce the amount of rote copying so that more time can be devoted class discussion.

4. **Selected articles** from academic finance journals and periodicals (WSJ, Economist, etc.) will be either handed out in class or linked directly in **IVLE**.
5. Computer-based **project assignments** (see below).
6. **Textbook problems.**  
Suggested textbook problems will be made available; some will be included as homework assignments. You will be responsible for understanding all suggested problems (including those that are not part of the graded assignments) since they will help prepare you for projects and quizzes. Solutions from the textbook publishers will be provided.

### Course Webpages

- Various course material will be distributed through **IVLE**.
- We will attempt to use **Piazza** for class discussion. Rather than emailing questions to me, I encourage you to post your questions on Piazza so that you can get help fast and efficiently from your classmates and me.

### Student Assessment

The course grade will be based on the following:

Homeworks	5 %
Project 1: TBA (due and presented on <b>Week 4</b> )	5 %
Project 2: TBA (due and presented on <b>Week 8</b> )	10 %
Project 3: TBA (due and presented on <b>Week 12</b> )	10 %
Quiz 1: <b>Week 6 (TBA)</b>	30 %
Quiz 2: <b>Week 13 (TBA)</b>	30 %
Class Participation and Citizenship	5 %
Ethics	<u>5 %</u>
<b>Total</b>	<b>100 %</b>

Letter grades will be assigned based on the class distribution of the course's total scores. The grade cutoff points will be adjusted based on the class's overall performance.

### Homework

Students will be asked to do and submit a series of individual homework assignments. At two points in the term (weeks 6 and 12), I will grade one randomly selected homework assignment. Failure to turn in a homework assignment (even one which is not eventually graded) by its deadline will result in a zero grade.

### Projects

Each project report may be prepared by **teams of 3 or 4 participants**; individual submissions are **not** recommended.

The objective is to answer the questions provided in each project assignment. The project reports should not exceed **four** double-spaced pages of **text**. The intent of this page limitation is to enforce careful and concise writing.

The four-page limitation does not include **figures and exhibits**; please include those as you deem necessary to convince (but not confuse) the reader. Your response should be consistent with and supported by your main analysis. Project reports should be submitted to the instructor by **9 am on the due date**.

While each group will submit only one report for the group, **all students must come fully prepared to present their solution to the rest of the class**. Each group should bring the presentation slide deck (PowerPoint or otherwise) in a USB thumb drive, and email the presentation file to the instructor before the class session. **I will randomly select some groups to present their work**. The whole group will be penalized if the presentation is longer than 10 minutes, is unclear, or does not match the group's project report. I may interrupt the presentation to clarify certain issues or correct contents in the interest of the class. As I may **randomly select a group member** to present the group's slide deck, I highly recommend each group member to practice the presentation to improve clarity and ensure that they meet the time constraint.

Grading will be based on the accuracy of the analytical analysis (60%) and on exposition and presentation of findings (40%; this includes the classroom presentation component above). I will conduct a group evaluation survey after project reports are submitted. Please keep track of how your teammates contribute to the report and how your team functions as a whole.

## Quizzes

There will be two quizzes (**September 10 (Saturday)**, and TBA in week 13). The quiz format will likely be a combination of multiple-choice and true-false questions, extensive numerical problems, and essay-type questions. These questions will be designed to test your knowledge of conceptual and qualitative material, as well as your analytical and problem solving skills. The **second quiz** will be **cumulative** but will emphasize topics covered after the first quiz.

If, for a valid and documented reason, you are unable to take the first quiz on the scheduled date, the weighting of the first quiz's grade will be transferred to the second quiz (pending approval from the Head of the Finance Department). Students must take the second quiz to receive a passing grade for this module.

## Class Participation and Citizenship

I will observe student participation in the course and reward students who make a substantial effort. Simply attending classes is a necessary condition, but **not sufficient** to receive a favorable class participation grade. In evaluating class participation, I will look for comments that are thoughtful and lead the discussion forward. My evaluation will be based on how well you have participated in class, looking at the quality, not the quantity, of your participation. You can improve your participation grade considerably by coming to class prepared. Points awarded are **at my discretion** and are based solely on **my opinion** of your efforts and your contribution to class discussions. These points are not automatically given, but must be earned. They are **not subject to negotiation**.

## Contacts

I highly recommend contacting me through email. In general, **you can stop by my office anytime**. In the event that you come to my office without an appointment, I reserve the right to ask you to come back some other time or even some other days. In order to ensure that I am available for consultation, I recommend that you send me an email to arrange an appointment.

As mentioned above, I encourage you to post your questions on Piazza so that you can get help quickly and efficiently from your classmates and the instructor.

## Class Policies

### 1. **Academic Integrity:**

I will strictly enforce the university rules on academic integrity.

- Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.
- Plagiarism is 'the practice of taking someone else's work or ideas and passing them off as one's own' (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. **In case of any doubts, you should consult your instructor.**
- Additional guidance is available at:  
<http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct>
- Online Module on Plagiarism: <http://emodule.nus.edu.sg/ac/>

### 2. **Attendance**

Our class discussions will go beyond the scope of the textbook for most topics. Therefore, it is important for you to attend class. You are responsible for all announcements made in class. If you are unable to attend a particular class, please notify the professor of your absence *prior* to that class. Failure to notify the professor of absence, or missing more than two sessions during the course, might result in a failing grade. For an excused absence, the make-up for missed work will be determined by the professor in consultation with the student.

### 3. Laptop, Tablets, PDAs, Phones

Please be respectful of others in your usage of electronic devices and wireless communication. By taking this class, you agree to be bound by the following policies:

- **Mobile phones** need to be shut off or set to silent mode during class session. No telephone calls, SMS/MMS messages, e-mails and/or chats during class. Upon violation of this policy, you will be asked to put your mobile device on the table in **off** mode and **FACE DOWN**. You may also be asked to deposit your devices in a designated area in the classroom.
- **Laptops and tablets** are restricted to note-taking use only. The use of these devices for chat sessions, checking/answering e-mails, and web surfing is prohibited. I will announce exceptions to the policy for class sessions with course-related content on the web.
- Violation of the policies can lower the class citizenship component of course grade above.

## Tentative Course Schedule (Subject to Change)

This is an approximate schedule of topics that will be covered. The assigned readings will provide the framework for classroom discussions. All readings are required; please read them **prior** to the corresponding lecture. Recommended reading will be assigned throughout the course. (\*) in front of a week number denotes that a HW assignment is due at the beginning of that week's class.

Week	Date	Topic	Reading
1	Aug 15	<b>Review of Applications of Statistics in Finance</b>  <b>Mechanics of Investments</b>	(Recommended) BKMJ, Chapters 1-3. BKMJ, Ch. 7, Appendix B (Review of Portfolio Statistics) BKMJ, Chapter 5: Section 5.6, 5.7  <b>HW: "Review"</b>
2	Aug 22	<b>Historical Return and Risk</b>	BKMJ, Chapter 5: Section 5.3, 5.4, 5.5, 5.8 (Recommended) Dimson, Marsh, and Staunton, <i>Risk and Return in the 20<sup>th</sup> and 21<sup>st</sup> Century</i> .  Spreadsheets: <i>Risk&amp;Return.xls</i> .  <b>HW: Ch. 5</b>
*3	Aug 29	<b>Portfolio Theory</b>	Spreadsheets: <i>CAL_OneRisky.xls</i> ; <i>CAL_TwoRisky.xls</i> <i>WSJ</i> Article, <i>Time for Investing's Four-Letter Word</i> .  <b>HW: Ch. 6,7,8</b>
4	Sep 5	<b>Asset Pricing Models</b>  <b>*** Write-up for Case 1 ***</b> Background reading: BKMJ, Section 8.2, 8.3	BKMJ, Chapter 9: Section 9.1, 9.2, 9.3, 9.6. BKMJ, Chapter 10  <b>HW: Ch. 9</b>
*5	Sep 12	<b>Market Efficiency</b>	BKM, Chapter 11: Section 11.1, 11.2, 11.3, 11.4. Article, <i>Super Investors of Graham Doddsville</i>  <b>HW: Ch. 11</b>
*6	(TBD)		<b>***** Quiz 1 *****</b>
<b>RECESS WEEK</b>			
7	Oct 3	<b>Market Inefficiency?</b>  <b>Asset Allocations: Practical Considerations</b>	BKMJ, Chapter 13: Section 13.3 <i>FT</i> Article, <i>The Price May Not Be Right</i> . BKMJ, Chapter 4: Section 4.3, 4.4, 4.5, 4.6, 4.7, 4.8 BKMJ, Chapter 11, Section 11.5
8	Oct 10	<b>Mutual Funds</b>  <b>*** Write-up for Case 2 ***</b> Background: BKMJ, Section 13.5	<i>DMN</i> Article, <i>It's Asset Allocation Time Again</i> . Sharpe, <i>Indexed Investing: A Prosaic Way ...</i> <i>FT</i> Article, <i>The elusive butterfly of superior returns</i> .  <b>HW: Ch. 4</b>
*9	Oct 17	<b>Fixed Income Investments</b>	BKMJ, Chapters 14, 15 and 16 (You can skip 16.4)  <b>HW: Ch. 14,15,16</b>
10	Oct 24	<b>Fixed Income Investments</b>	
*11	Oct 31	<b>Option and Futures</b>	BKMJ, Chapter 20: Section 20.1, 20.2, 20.4 BKMJ, Chapter 21: Section 21.3, 21.4 BKMJ, Chapter 22: Section 22.1, 22.2  <b>HW: Ch. 20,21,22</b>
		<b>Option and Futures</b>	
12	Nov 7	<b>*** Write-up for Case 3 ***</b> <i>Economist</i> Article, <i>In Praise of Common Sense – Asset Allocation</i>	
*13	(TBD)		<b>***** Quiz 2 *****</b>