

Syllabus

315 Finance I, Investment Management – Fall 2017



instructor: Professor Marcus M. Opp (Marcus.Opp@hhs.se)
office hours: TBD

overview: This course provides an introduction to investment management. This course aims at providing a basic understanding of financial economics with emphasis on investment theory and practice. The goal of this class is to provide you with a structure for thinking about investment theory and show you how to address investment problems in a systematic manner. The topics include financial decision making, optimal portfolio choice, capital asset pricing model, market efficiency, fixed income, financial derivatives and risk management.

required text:

- Corporate Finance, by Jonathan Berk and Peter DeMarzo, **4th Edition**, published by Pearson.
- **IMPORTANT NOTE:** You will need the My Finance Lab Access Kit (see below): This kit is already included in the book. You can get a temporary (2 week) access code if your book has not arrived yet.

myFinanceLab:

- Register at <https://registration.mypearson.com/>

grades: The class cannot be taken pass/fail. Your overall course grade will be based on homeworks (MyFinanceLab), 2 group projects (up to 4 members) and a final exam.

Homeworks:	15.0 %
Group Projects	10.0 %
<u>Final exam:</u>	<u>75.0 %</u>
Total	100.0 %

homeworks: The assigned homeworks (mostly on MyFinanceLab) have to be completed by the respective due dates. The two lowest scores on the homework will not enter your homework grade.

final exam: There is a final exam in this course, scheduled by the university. All students will take the exam at the official time slots.

Organization of Class:

Sub-Topic	Agenda	Reading Assignments
	Module 1 – Investors, Firms and Financial Decision Making	
1	Introduction to investment management / Overview. The Corporation, Cash flows associated with stocks, bonds and certain derivatives.	R: 1.1 U: 1.2-1.3
2	How investors make decisions, NPV Rule, Present Value Calculations	R: 3.1-3.3, 4.1-4.5, 4.9 U: 4.6-4.8
3	Interest Rates, Inflation: nominal vs. real interest rates, Carloan Case	R: 5.1-5.3, 5.5., Carloan Case (bspace)
	Module 2 – Valuation of Standard Securities	
1	Introduction to Pricing of Securities, No-Arbitrage, Efficient Markets and Security Prices	R: 3.4-3.5
2	Bond Pricing: Spot rates, Forward rates, Yield to maturity, Duration, Corporate bond ratings and credit risk	R: 6
3	Statistics Overview (Mean, Volatility/ Variance, Covariance, Estimation Error), Application to Stock Portfolios, Diversification, Systematic vs. Idiosyncratic risk	R: 10.1-10.6, 11.1-11.3
4	The Capital Asset Pricing Model. Portfolio theory and the relationship between risk and return, Implementation of CAPM	R: 11.4-11.8, 10.7-10.8, 12.1- 12.4
5	Evidence on CAPM, Market anomalies, Multifactor models, Arbitrage pricing theory (APT)	13
	Module 3 – Derivatives and Risk-Management	
1	Introduction to Options	R: 20
2	Valuation of Options	R: 21

R = Required Reading (before class)

U = Useful Reading (background information)