Syllabus

315 Finance I, Investment Management – Fall 2018

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

office hours: by appointment.

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. ISBN: 9781784497866 (this ISBN includes the required MyFinanceLab access kit and a glossary). Older editions of the book will not be "officially" supported, but they contain virtually all of the relevant content. If you purchase an older edition, you need to purchase an access code for MyfinanceLab online. The book should be available at Akademibokhandeln City.

myFinanceLab:

- Register at https://registration.mypearson.com/ and enter the course number**: opp03345**. You **MUST** use your **HHS email address** for registration (e.g., **12345@student.hhs.se)** and choose **"SSE"** followed by your ID as the **username**, e.g., SSE12345 (you can change your username to the correct one if you already have an existing user id that differs).

grades: The grading scheme will provide an incentive to take the exam on the first date.
If you take the exam on the first date, your overall course grade will be based on homeworks (MyFinanceLab), 2 group projects (up to 5 members) and a final exam.

Homeworks:	8 %
Group projects:	7 %
Attendance / participation:	5 %
Final exam	80 %
Total	100 %

If your score is higher based on 100% Final exam (instead of 80% Final Exam + 20% other work), your total score will be based entirely on the final exam. **Example:** You score 100 on the final, but have zero in homeworks, group projects, and participation. Then, your course score will still be 100.
If you take the exam on a later date, your score is entirely based on the Final Exam (100%).

homeworks: The assigned homeworks (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 on October 19, 2018 from 14.00 to 17.00. All students will take the exam at the official time slots.

attendance: Attendance credit is given for both seminars and lectures via the turningpoint app on your **smartphone**. Register account with your **SSE student email address**. You must fill out the initial registration via the smartphone app (not on the computer, as this does not work reliably). The **session ID** is announced at the beginning of each class. When prompted for user-ID use your **SSE student ID, e.g., 12345** (the number before your email).

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.	N/A
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 (incl. Appendix)
3	Stock pricing (basics)	N/A
4	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
5	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, 12.1-12.3, U: 13.1-13.2.
	Module 3 – Derivatives and Risk-Management	
1	Introduction to Options	R: 20.1-20.5
2	Valuation of Options	R: 21.1-21.2, U: 21.4

R = Required Reading (before class)
U = Useful Reading (background information)