

Syllabus

315 Finance I, Investment Management – Fall 2019



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: TBD (this ISBN includes a glossary, but comes without MyFinanceLab). You will get the Myfinancelab access code in class (paid by SSE). Older editions of the book will not be “officially” supported, but they contain virtually all of the relevant content. The book should be available at Akademibokhandeln City.

myFinanceLab:

- Register at <https://registration.mypearson.com/> and enter the course number: **opp51121**. You **MUST** use your **HHS email address** for registration (e.g., 12345@student.hhs.se) or, for students of the Swedish program, the Swedish program email address. You will get zero credit if you use the wrong email address.

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 (2 - 3 members) and a final exam. The baseline score is computed as:

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

If final exam score is better than the baseline score, the course grade will be only based on the final exam score. **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 18, 2019 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 an app on your **smartphone**.

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)

Tentative schedule for Investment management 315, Fall 2019

Week 1 (Progress: 2 out of 14 lectures)

- Introduction to class with Examples
- Syllabus discussion
- Module 1 01: Introduction to language
- Module 1 02: NPV rule

Week 2 (Progress: 4 out of 14 lectures)

- Module 1 03: Interest rates and carloan case
- Module 2 01: Begin Securities pricing

Week 3 (Progress: 6 out of 14 lectures)

- Module 2 01: Finish Securities pricing
- Module 2 02: Begin Bond pricing

Week 4 (Progress: 8 out of 14 lectures)

- Module 2 02: Finish Bond pricing
- Module 2 03: Stock pricing and efficient markets
- Module 2 04: Begin statistics

Week 5 (Progress: 10 out of 14 lectures)

- Module 2 04: Finish statistics
- Module 2 05: Begin CAPM Theory

Week 6 (Progress: 12 out of 14 lectures)

- Module 2 05: Finish CAPM THEORY
- Module 2 05: CAPM in practice

Week 7 (Progress: 14 out of 14 lectures)

- Module 3 01: Introductions to Options
- Module 3 02: Valuation of Options
- Class review