

Syllabus

315 Finance I, Investment Management – Fall 2020



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.

pre-requisites: Two courses in microeconomics, two courses in macroeconomics, and one course in statistics.

required text: • Corporate Finance, by Jonathan Berk and Peter DeMarzo, **5th Edition**, published by Pearson. ISBN: **TBD** (this ISBN includes a glossary). 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 and [online](#) via snaplit.

myFinanceLab: • Register at <https://registration.mypearson.com/> and enter the course number: **TBD**. 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 or if you register twice for the class.** To obtain MyfinanceLab for free (paid by SSE), please use this access code:

TBD

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 %
<u>Final exam</u>	<u>85 %</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 and group projects. Then, your total 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
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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 20, 2020 from 09.00 to 12.00. All students will take the exam at the official time slots.

special needs: Have you been granted educational support because of a documented disability? If so, please contact the course director as soon as possible so that adequate accommodations can be made. Contact specialneeds@hhs.se if you have questions about being granted educational support or need a copy of your educational support certificate. Read more at Special Needs on the Portal.

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 2020

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