



SOUTHEAST UNIVERSITY

School of Business Studies, MBA Program

Course Title: Investment Theory

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| Course Code: FIN 6160 | Semester: Summer, 2014 | Section: C |
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Instructor: Mohammad Kamrul Arefin (KRL)

Office:

Class Room: 305

Office Phone: 01833179916

Class Time: ST 8:00PM – 9:30 PM

Office hours: ST 6:00 PM-8:00PM

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COURSE DESCRIPTION & OBJECTIVES:

This course will introduce students to major issues of concern to all investors. The aim of this course is to provide students with a thorough understanding of the concepts of modern portfolio theory with techniques and implications of efficient diversification, risk-return trade-off and general equilibrium models (CAPM and APT). This course includes 3 hours computer lab session where students are expected to learn Microsoft Excel applications on portfolio analysis. Whether you plan to become an investment professional, or simply a sophisticated individual investor, you will find this course essential.

TEACHING APPROACH:

The class will meet for a total of 36 hours divided into 24 x 1.5 hours lectures. The classes will be conducted through lectures, and presentations. Students are required to take notes, answer questions, and participate actively in the class.

Students are strongly encouraged to communicate with the lecturer through email or phone and meet lecturer during office hour (outside office hour by prior appointment) for any questions they may have.

TEXT BOOK: Bodie, Kane and Marcus (2009). *Investments*, 8th Edition, McGraw-Hill.

Supplementary Text: 1) Elton, Gruber, Brown and Goetzmann (2007). *Modern Portfolio Theory and Investments Analysis*, 7th Edition, John Wiley.

2) Luenberger (1998). *Investment Science*, Oxford University Press.

LECTURE OUTLINE:

| Lecture | Topics |
|--------------------------|---|
| 1-2 Chapter 1 | Introduction: The Investment Environment, Styles and Philosophies of Investing etc. |
| 3-4 Chapter 2,3 &4 | 1) Asset Classes and Financial Instruments 2) How Securities are Traded 3) Mutual Funds and other Investment Companies (money market funds, equity funds, index funds etc.) |
| 5-6 Chapter 5 & 6 | Portfolio Theory and Practice: Learning about Return and Risk from the Historical Record, Risk Aversion and Capital Allocation to Risky Assets |
| 7-8 Chapter 7 | Optimal Risky Portfolios: Asset Allocation and Diversification |

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|---|---|
| | Mid Term 1 |
| 9-11 | Lab: 1) Optimal Asset Allocation for Portfolio and Sensitivity Analysis using Solver application 2) Constructing Mean-Variance Portfolio and Drawing Efficient Frontier for it |
| 12-13 Chapter 8,9,10 &14 | 1) Index models 2) Equilibrium in Capital Markets: CAPM &APT 3) Bond Prices and Yields |
| 14-16 Chapter 15 & 16 | 1) The Term Structure of Interest Rates 2) Managing Bond Portfolios |
| | Mid Term 2 |
| 17-19 | Derivative securities, European option pricing, American option pricing, additional issues in option pricing, financial forward and futures contract |
| 20-23 Chapter 18 | Equity Valuation Models |
| 24 Chapter 24 | Portfolio Performance Evaluation |
| | Final Exam TBA |

EXAMS:

There will be a total of 3 exams and the syllabus for final exam will be comprehensive.

COURSE GRADING COMPONENTS:

| Component/Coverage | Weights (%) |
|---------------------|-------------|
| Mid Term 1 | 25 |
| Mid Term 2 | 25 |
| Final Exam | 25 |
| Group Report | 20 |
| Class Participation | 5 |

Investment Analysis Project:

At the end of this course students are expected to submit an investment analysis report and 10% marks per day will be deducted for late submission of the project report. This will be a group project. This project helps students to implement their learning from this course and improve their report writing skills.

As a portfolio manager students are expected to determine the optimal asset allocation for their portfolio in the case where they can lend and borrow at the risk free rate r . You will be given data of stock price of 5 UK based companies.

Note: you are free to make all the assumptions you believe are necessary but these should be explained. Furthermore the procedure used and the results should be clearly (but concisely) explained.

According to South East University grading policy, the following is a suggested conversion scheme:

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|----|----|----|----|----|----|----|----|----|-----|
| A+ | A | A- | B+ | B | B- | C+ | C | D | F |
| 80 | 75 | 70 | 65 | 60 | 55 | 50 | 45 | 40 | <40 |

COURSE POLICY:

- It is important that you attend classes regularly. In-class participation is a key component of the course.
- Please bring scientific calculator with you in every classes.
- You will not be allowed to take any make-up exam unless you provide evidence of a valid reason. You are expected to inform the lecturer at least 12 hours prior the exam about your incapacity. The make-up diet of the exam will be harder than the regular exam and it will be comprehensive.
- Any type of plagiarism will result in F (Fail) grade in the course. Please do not use cell phones in the exam. If you get caught having cell phone switched on during exam then you will be convicted for plagiarism.
- Please turn all cell phones on silent mode before entering the class. If you are to take the call then leave the class silently without asking permission.
- The number of groups in the class may vary according to the total number of students.
- The instructor and university reserve the right to modify elements of the course during the term. It is the responsibility of the student to check their emails, Southeast University website and instructor' website regularly during the term to note any changes.

GOOD LUCK