

MBA 706  
Investment Analysis  
Spring 2013

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Course Website: Blackboard

Office Hours: MW 1:30 – 2:30 and by appointment

### **Class Meetings**

Tuesday, 7:20 – 10:00, Arlington: Founders Hall 210

### **Course Objectives**

This course is an introduction to portfolio management and asset valuation. The material focuses on institutional investing, although the course is also relevant for individuals. The class will help you understand strategies and risk management tools necessary for the management of fixed income and equity portfolios. In particular, you will learn the concepts of asset allocation, risk and return trade-off, diversification, bond pricing, portfolio performance evaluation, and the theory of market efficiency.

### **Learning Goals**

Upon successful completion of this course students will be able to (1) evaluate and explain the risk and return trade-offs in finance, (2) understand how to address behavioral and ethical issues in finance, and (3) conduct research necessary to construct and manage equity/fixed income portfolios and present their analysis.

## Prerequisites

Students are expected to be familiar with basic economics and statistics. Thus, students are required to have successfully completed all MBA core courses. The contents from MBA613, MBA633 and MBA643 will be especially useful for this course. If you do not know whether you meet the requirement, you should notify the instructor and also consult Student Services.

## Course Textbook and Resources

Required Textbook: Bodie, Kane, and Marcus, *Investments*, 9<sup>th</sup> edition, McGraw-Hill/Irvin, 2011 (BKM). You may also want to consider the solutions manual for use with this book.

Other Resources: A calculator is required (non programmable – e.g. HP 10b11+) and should be brought to class on a daily basis. A subscription to the Wall Street Journal is also encouraged (or another finance oriented publication like Business Week or the Financial Times).

## Grades

Since this is an advanced course, it inevitably covers more difficult topics than those in other MBA courses and might be more math focused. I expect this course to be intellectually challenging. My intention is to grade generously, but fair. I will, however, not hesitate to give low grades to those who clearly did not put in a sufficient amount of effort.

Your final grade will be based on:

Class Participation/Attendance	5%
Homework/Problem Sets	5%
Project One: (February 19 <sup>th</sup> )	10%
Midterm Exam: (March 5 <sup>th</sup> )	25%
Project Two: (April 23 <sup>rd</sup> )	20%
Final Exam (See GMU's Schedule)	35%

Note: The final exam is a comprehensive final and will cover issues from the midterm exam. Students are not allowed to skip any exams and must take the exam at the scheduled time. Any student missing an exam will receive a grade of zero. One exception is that you present a physician's statement attesting to illness on the day of the exam or for an extraordinary reason.

## **Problem Sets**

I will assign problems for homework. The assignments will be collected and checked for some level of effort being made. Part of the each exam will be taken either directly or slightly modified from the homework, thus it is your responsibility to do each assigned question.

## **Group Projects**

Details on the two projects will be handed out in class. They will be team projects (a team of 4-6 students). You will *not* be allowed to work alone under any circumstances, so please plan accordingly. At the end of the semester, a “peer-evaluation” form will be distributed to allow students to rate the relative contribution of each group member, which will be used in determining overall project grades.

## **Important Rules**

The test and the final exam must be taken without notes or sheets of formulas. You will be required to bring your own financial calculator to the exams. Sharing calculators and the use of graphing calculators (and other calculators that allow for the storage of information) are not allowed.

## **Appeal of Grading**

If you wish your answer to a question to be regarded, first submit a copy of your answer to the question and a written explanation of why you believe that the grading is incorrect. You must turn in this material within one week after the graded work is returned. In general, the entire exam will be checked for grading errors, and correcting these could either raise or lower the overall score.

## **University Office of Disability Services**

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center at (703) 993-2474. All academic accommodations must be arranged through the DRC.

## **Academic Misconduct**

Academic misconduct causes failing the course and triggers quite unpleasant university-mandated procedures which result in further sanctions. Faculty Rule 2.11.5 (Faculty Responsibility under the Honor Code) requires alleged misconduct to be reported to the department and the Honor Committee. So follow the GMU honor code at all times and don't even think about cheating!

## **Tentative Course Outline**

Each class period includes required readings from the textbook Bodie, Kane, and Marcus, 9th ed. (BKM). Except for the dates of the exams and the project deadlines, the dates in the course schedule are approximate and could be subject to change.

### *I. Assets and Financial Markets*

**Weeks 1 (Jan. 22): Course Introduction and Background**  
Course Syllabus and BKM 1

**Week 2 (Jan. 29): Asset Classes, Financial Securities, and Market Structure**  
BKM 2 and 3

**Week 3 (Feb. 5): Returns and Risk & Capital Allocation**  
BKM 5 and 6  
[Project One: Portfolio Optimization Starts!](#)

### *II. Portfolio Theory*

**Week 4 (Feb. 12): Diversification and Efficient Frontier**  
BKM 7

**Week 5 (Feb. 19): CAPM**  
BKM 9  
[Project One is due.](#)

**Week 6 (Feb. 26): Overflow and Review**  
[Project Two: Trading Project Starts!](#)

**Week 7 (March 5): [Midterm Exam](#)**

**Week 8 (March 12): [Spring Break](#)**

**Week 9 (March 19): Mutual Fund Portfolio Evaluation**  
BKM 4 and 24

### *III. Efficient Market Hypothesis and Behavioral Finance*

**Week 10 (March 26): Efficient Market Hypothesis**  
BKM 11

**Week 11 (April 2): Behavioral Finance and Investment Decisions**  
BKM 12 and 28

*IV. Fixed Income and Options*

**Week 12 (April 9): Fixed Income**

BKM 14

Trading Project Ends!

**Week 13 (April 16): Options**

BKM 20

**Week 14 (April 23): Project Presentation (Reports and Slides are due.)**

Group Project

**Week 15 (April 30): Overflow and Review**