



FE 823: Investments

Class Time: Tuesdays and Thursdays, 9:30 – 10:45 a.m.

Instructor: Justen Carter

Office: 527

e-mail: jgcarter@bu.edu

**Office Hours: Mondays 4:00 – 5:00 p.m., Tuesdays 12:30-1:30 p.m.
or by appointment**

TA Information: TBD

COURSE DESCRIPTION & LEARNING GOALS

Introduction to the investment management process. Defining investment objectives and constraints. Introduction to Modern Portfolio Theory, CAPM, Fama- French factors, APT, efficient markets, stock, bond and option valuation models. Introduction to forwards and swaps and their applications within investment strategies. Active and passive investment strategies, fundamental analysis, trading practices, and performance evaluation. Introduction to the role of futures and options in hedging and speculation. Arbitrage and hedge fund strategies. Understanding the assumptions underlying the different approaches and their limitations. Topics related to current events and the recent financial crisis.

PREREQUISITES

Students must have taken either FE 712 or FE 722.

COURSE STRUCTURE & PEDAGOGY

- Lectures, readings, problem sets, projects, presentations and tests are key elements of the course.
- This is an applied theory course. Students will have to demonstrate comprehension of the material, i.e., show the math.

COURSE MATERIALS

- Text will be Investments (12/e) by Brodie, Kane and Marcus, through the Connect tool (<https://connect.mheducation.com/class/j-carter-d1>). The eBook and Problem Sets will be available through the tool.
- Financial calculator (e.g., HP 10BII+ or TI BAII+).
- Readings, lecture notes and assignments will be posted to Blackboard.

COURSE EVALUATION AND EXPECTATIONS

Grades will be determined as follows:

<i>Evaluation Activity</i>	<i>Fraction of Course Grade</i>
• Participation	10%
• Problem Sets	20%
• Team Projects	20%
• Mid Term Exam	20%
• Final Exam	30%
• TOTAL	100%

Problem Sets will be assessed through the McGrawHill Connect tool that comes with the eBook. If you complete the assignment on time, you will get full credit of 87%. If you do not complete the assignment, you will receive 0% for that assignment. Problem Sets are due at by 8 a.m. of the due date, no exceptions. There are 9 Connect problem sets. There is no partial credit for late or partially completed Connect assignments. These problem sets are listed in the Course Schedule at the end of the Syllabus and are due at 8 AM on the due date. In order to get credit for Connect Problem Sets you must attempt every problem (you are not required to get every problem correct, but you must make an effort to answer every question).

Team Projects are designed to create realistic engagement with the financial markets. One team project will be a portfolio optimization exercise, while the other will be portfolio management exercise for the duration of the course.

Interim and Final Assessments are written and in class, with a calculator and provided formula sheet.

Participation is in-class contribution and discussion. Your participation will be assessed every class.

If you have any questions about grades that you receive on assignments, you must raise them within two weeks of receiving your grade on that assignment. Unless we have made computational errors, we will be unable to alter grades after final grades have been determined. If you have grade-related considerations that you think are important, please raise these with your instructor as early as possible (during the first half of the semester at the latest!), so that your instructor can help you approach the course in a way that will help you achieve your best possible performance.

Questrom School of Business follows school-wide voluntary guidelines for MBA elective courses that are graded: No more than 50% of grades in a class should be in the A or A- range.

COURSE POLICIES

Attendance and Tardiness

We are a learning community. This means that being in class is essential to your learning and your classmates' learning. Attendance will be taken at the start of each class and participation will contribute to your final grade. Communication is the key to building community in our classroom; just let me know if you have an obstacle to attendance or timeliness, and we will work on it together.

Accommodations for Students with Special Needs

In keeping with University policy, any student with a disability who needs or thinks they need academic accommodations must call the Office of Disability Services at 353-3658 or stop by 19 Deerfield Street to arrange a confidential appointment with a Disability Services staff member. Accommodation letters must be delivered to me in a timely fashion (within two weeks of the date on the letter and not later than two weeks before any major examination). Please note that accommodations will not be delivered absent an official letter of accommodation.

Academic Integrity

My goal is to create a community where you will feel invested and included. The importance of honesty and integrity in this learning community cannot be overemphasized: there must be trust in order to learn. Every member of the Boston University Questrom School of Business is responsible for creating an ethical environment; I will do my best every day to create that in our class, but it can't happen without your commitment too. I also expect you to abide by the Academic Conduct Code. It is easy to do: follow all assignment and exam rules. If you have a question about the rules of an assignment, (can I collaborate on this assignment? Can I use my phone to check the time during an exam?) ask me – it's my job to help you with this.

Any student caught cheating or submitting work that is not their own may receive a grade penalty up to and including a failing grade for the course, and potentially a sanction up to suspension or expulsion.

Students who do not take academic integrity seriously damage the reputation of the Program from which you will graduate. Don't be that student. Please see [BU's Academic Integrity website](#) for more information. And always remember: if you have questions or concerns about an assignment, deadline, reading, exam, anything, just email me.

Diversity and Inclusion statement

In developing the materials and assignments for this course, I have aimed to be thoughtful about how identity, culture and learning styles impact the course content. I intend students from all diverse backgrounds and perspectives be well-served by this course and that the diversity that students bring to this class be viewed as a strength and a benefit.

During the semester we will discuss content that will inspire debate, different opinions, and shared experiences. **Learning can only happen in a community that is respectful and inclusive; we all belong in this community, and we will value each other's experiences.** All members of the class will conduct themselves in a professional manner. Remember, you can disagree with the idea and still respect the person.

I invite you to share your personal experiences and perspective related to the course content; we can learn from each other. Your suggestions on how to make this class and our classroom more inclusive are encouraged and appreciated. If there are topics or conversations that you feel would benefit from incorporation of social context, a differing perspective, or Questrom's Office of Diversity & Inclusion, please inform me and I will explore resources and opportunities for us to engage a wide variety of perspectives in our classroom.

Mental Health and Wellness

Life in a graduate program can get complicated and it is easy to feel overwhelmed, lost, anxious, or depressed. If you find yourself struggling with your mental or physical health this semester, please feel free to approach me. I will try to be flexible and accommodating, within reason. But I am not a professional and there is no shame in getting help. Help for managing stress and your mental wellbeing can be found at [Student Health Services](#), and [Behavioral Medicine](#). There you can find short term therapy, groups, and workshops, 24/7 on-call service (617 353-3569), referrals, and more resources. If you are feeling stressed and having trouble making choices around alcohol consumption the [Collegiate Recovery Program](#) may offer help.

Financial Insecurity

We learn as whole people. It can be challenging to do your best in school when you are worried about meeting basic needs like safe shelter, sleep, and nutrition. If financial insecurity is an obstacle to learning, I urge you to contact [Terrier Meal Share](#), [Boston University Financial Assistance](#), or the [Dean of Students Office](#).

Sexual Misconduct/Title IX Policy

The Questrom School of Business is committed to fostering a safe learning environment for all members of the its community and preventing sexual misconduct. All forms of sexual misconduct, including rape, acquaintance rape, sexual assault, domestic and dating violence, stalking, and sexual harassment are violations of Boston University's policies, whether they happen on campus or off campus. Title IX of the Education Amendments of 1972 is a federal civil rights law that prohibits sex-based discrimination in federally funded education programs and activities. This law makes it clear that violence and harassment based on sex and gender is a Civil Rights offense subject to the same kinds of accountability and the same kinds of support applied to offenses against other protected categories such as race, national origin, etc. If you or someone you know has been harassed or assaulted, you can find the appropriate resources at <http://www.bu.edu/safety/sexual-misconduct/>.

GENERATIVE AI POLICY

Students in this course are required to give credit to AI tools whenever used, even if only to generate ideas rather than usable text or illustrations. When you submit your assignment, you must clearly attribute what text was generated by the AI tool (e.g., AI-generated text appears in a different colored font, is quoted directly in the text, or includes an in-text parenthetical citation if paraphrased). Please see <https://www.chicagomanualofstyle.org/qanda/data/faq/topics/Documentation/faq0422.html> for instructions on proper citation format.

COURSE SCHEDULE**FE 823: Investments**

Class	Date	Topic	Readings	Homework
1	Tu, 9/5	Introduction to the Investment Process, Asset and Security Classes	1.1-6, Article	
2	Th, 9/7	Investment Companies, Mutual Funds and ETFs	4.1-6 (S 4.7-8) Article	
3	Tu, 9/12	Markets and Short-Term Investments	2.1, 3.1-4, 6	PS #1 due
4	Th, 9/14	Trading, Margin, and Short Selling	3.7-9 S 3.10, 9.2 (pp. 293-296), 13.4 Articles	
5	Tu, 9/19	Investment Returns and Risks	5.2-8, 6.1-5 (S 6.6)	PS #2 due
6	Th, 9/21	The Complete Portfolio and Efficient Diversification	7.1-2 (S 7A)	
7	Tu, 9/26	The Capital Asset Pricing Model	8.1-3, 9.1, 13.1	PS #3 due
8	Th, 9/28	Fama-French Factors and Arbitrage Pricing Theory	10.1-10.5, 13.3 (S 13.2, 13.5) Article	Project #1
9	Tu, 10/3	Indices and Market Efficiency	11.1-2, 11.4-5 (S 11.3)	
10	Th, 10/5	Alpha and Evaluating Portfolios	24.1-2 Article	PS #4 due
11	Th, 10/12	Equity Ownership and Equity Valuation: Dividend Discount Models	2.3, 18.1-3	
12	Tu, 10/17	Equity Valuation: Price-Earnings Ratios	18.4, 6 (S 19.3-4, 19.6-7) Article	PS #5 due
13	Th, 10/19	Mid-Term Assessment (in class)		
14	Tu, 10/24	Bond Market Overview, Prices, Yields and the Yield Curve	2.2, 5.1, 14.1-4, 15.1-3	
15	Th, 10/26	Duration and Managing Bond Portfolios	15.4-5, 16.1-4	
16	Tu, 10/31	International Investments Introduction to Currency Regimes	17.1, 25.1-2	PS #6 due
17	Th, 11/2	The Foreign Exchange Spot and Forward Markets	23.1	
18	Tu, 11/7	Alternative Investments	26.1-2, 5-6 (S: 26.3-4) Article	
19	Th, 11/9	Value at Risk (VaR), Introduction to Endowment Management	5.6, Article and case study	
20	Tu, 11/14	Asset Allocation, Investing for Retirement, and Pension Plans	7.3-4, 28.3-6 (S 28.7) Articles	

21	Th, 11/16	Guest Speaker	Articles	PS #7 due
22	Tu, 11/21	Forwards and Futures	22, 23.1-2	
23	Tu, 11/28	Behavioral Finance Credit Default Swaps (CDS)	12.1-2, 14.5 Article	Project #2
24	Th, 11/30	CDS Applications, Bubbles and the 2008-2009 Crisis	1.7, Article	
25	Tu, 12/5	Option Mechanics and Trading Strategies	20.1-5	PS #8 due
26	Th, 12/7	Option Pricing: Black-Scholes Model, and Delta Replication	21.1-3 (S 21.4-5)	
27	Tu, 12/12	Interest Rate Derivatives	23.3-4	PS #9 due
		FINAL EXAM TBD week of 12/15-12/21		

Note: Syllabus may be adjusted as necessary. Blackboard will reflect any adjustments. Mid Term assessment date will not be changed.