

Hanyang University
School of Business

BUS507: Advanced Investments**Spring 2019**

Professor: Chanyoung Eom

Email: cyeom73@hanyang.ac.kr

Tel: 2220-2601

Office hours: Tuesday 14:00 – 16:00
or by appointment

Course Description:

This course aims to elaborate the fundamental principles in the field of investments. The course will focus on the application of financial theories to the issues and problems of investment management. Specific topics will include (a) the valuation of risky cash flows, (b) portfolio optimization and asset allocation, (c) the theory of asset pricing models and their implications for investments, and (d) the derivation of the Black-Scholes equation.

The main objective of this course is to provide students with a framework for making financial decisions related to investments. These decisions are relevant for institutional investors (pension, mutual, and hedge funds), individual investors, corporate treasurers, and anyone who seeks to use or understand domestic or international investing. For instance, the practical virtue of the asset pricing theory comes from our *normative* beliefs that risky assets should be priced in the way theorized in the asset pricing model. If some assets are inconsistent with a model's prediction, one can claim that those assets are *mis-priced*, which may provide arbitrage opportunities for (sophisticated) investors to make *abnormal* returns. This makes the asset pricing theory very appealing to academicians as well as practitioners.

Required Material:

The required textbook is *Investment Science*, by Luenberger, available in the bookstore. This is a good introductory book explaining the fundamental principles of investment and illustrating how these principles can be transformed into practical solutions of actual investment problems. I will use lecture notes which will be posted on the course website regularly. Students are asked to bring the notes to class. Keep in mind that the notes are not a substitute for the textbook and you are responsible to read the corresponding chapters in the textbooks.

Course Operation:

Students are expected to come prepared to ask and answer questions in class. If you want to increase the probability of getting A in this course, please read the corresponding chapters before class and try to solve the exercise problems at the end of each chapter in the textbook.

Office Hours:

If you have questions about course materials, please feel free to visit me during my office hours. If you cannot attend the scheduled office hours, e-mail, call, or stop by to schedule an appointment (please give me multiple times that would be convenient for you). These meetings will be much more productive if you come well prepared, and you can express your difficulties in terms of a specific problem or concept covered in class.

Exams:

There are one midterm exam and one final exam. The final exam will be comprehensive, with a greater focus on topics covered after the midterm. A periodic review of class material is

strongly recommended. If you miss the exams without extraordinary circumstances, I will not allow the make-up exams and you will get zero for the missing exams. The exams are closed-book tests. I must inform that some questions on the exams may ask you to apply concepts to unfamiliar situations. Some students view these types of questions as tricky or unfair, but I believe that view is misguided. A better attitude is to view such questions as opportunities to determine whether you have sufficient understanding of the principles of finance to apply them later on the job.

Special Arrangements:

If you have a documented disability and anticipate the need for accommodations in this course, please make arrangements to meet with me as soon as possible. Documented evidence that you were seriously ill at the scheduled time of an exam or had an unexpected family emergency is the only valid excuses for missing a midterm or final exam. In order to be excused from an exam, you must contact me prior to the exam and be ready to provide me with documentation after the exam. In these rare cases, all of the weight from the missed midterm (final) will be moved to the final (midterm).

Grading:

Midterm Exam	40%
Final Exam	40%
Attendance and Participation	20%

If you believe that I made a mistake when grading your exam, you are entitled to request a re-grade. To receive a re-grade, you must submit to me both the original document and a separate written explanation of why you believe you deserve more points. In addition, you must do so within seven days of receiving the graded exam. If the re-grade request is made after seven days or without an accompanying written explanation, no re-grade will be given. Please note that all re-grade decisions are final.

Attendance:

Attendance is mandatory for this course per the University.

Academic Integrity:

Personal integrity and professional conduct are important aspects of business, and also one's personal life. The University has a Student Conduct Code, which should serve as guidelines to behavior regarding this class. In order to ensure fairness on behalf of the majority of honest students, anyone who is guilty of academic dishonesty will receive an F for the course. There are no exceptions to this policy under any circumstances. Remember that it is hard to get a good job after failing a course, so please do not cheat.

Miscellaneous Notes:

No cell phone! No laptop! No tablet pc!

Course Policies are designed to Ensure Fairness:

To ensure fairness to all students, there will be no exceptions to the course policies under any circumstances. By remaining enrolled in the course, you agree to abide by the policies detailed above. If you anticipate that you cannot abide by these policies (e.g., because you know that you have a conflict with an exam because of vacation travel or travel in connection

with an interview), please either change your schedule or arrange to take this course in another time.

Course Outline:

Readings	Week
Ch. 1-6	Week 1-7
Midterm Exam	Week 8
Ch. 7-9, 11-13	Week 9-15
Final Exam	Week 16

If we fall behind schedule, the range of topics covered by the midterm and final will be adjusted appropriately.