

NATIONAL UNIVERSITY OF SINGAPORE
NUS Business School
Department of Finance
Course Outline
BMA 5302, INVESTMENT ANALYSIS AND MANAGEMENT

Term 2, 2011-2012

F1 Section: Wed 9 am–12 pm; BZ1/3-1

P2 Section: Wed 6-9 pm; BZ1/3-2

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Course Description and Objectives

This is an introductory course in investments. It provides a comprehensive coverage of basic concepts, theories, applications and decision-making rules in financial investments. In particular, the course will focus on the analysis of stocks, bonds, options and other derivative securities. Additionally, the course will examine the role and performance of portfolio managers, mutual funds and other investment companies.

On completion, students should be knowledgeable in investment management in preparation for careers in financial analysis, financial planning, investment banking, portfolio management, and corporate finance. The topics covered in this course will overlap with some of the topics for the Chartered Financial Analysts (CFA) Level I examinations, such as quantitative analysis, equity securities analysis and portfolio management. More generally, this course should prove useful for the management of your personal investments.

Pre-requisites

The students enrolled in this module are assumed to have successfully completed the Financial Management (BMA 5008) module.

Textbook and Other Resources

Required textbook: Zvi Bodie, Alex Kane and Alan J. Marcus, *Investments and Portfolio Management*, 9th Global Edition, McGraw-Hill. The textbook also has an Online Student Resource Center:

http://highered.mcgraw-hill.com/sites/007338237x/information_center_view0/.

The readings from the text will be supplemented by other materials such as case studies, relevant news articles, and academic journal articles. To get the most out of the course, students should make an effort to be well-informed about current developments in the financial markets by reading publications such as *The Wall Street Journal* or the business section of *The Straits Times*.

Course Format

The lectures will focus on the major points introduced in the textbook. The lectures will provide general background information on the topics covered and may not necessarily be specific to the homework problems, projects, and cases assigned. Prior to class you should read the relevant material in the textbook, the PowerPoint slides, and any additional assigned

readings. You are encouraged to ask questions and to be an active participant in class. You are expected to attend class regularly and to come to class on time.

Students are expected to access the course page on IVLE (ivle.nus.edu.sg) for course related information including announcements and PowerPoint slides of the lectures. Students are also encouraged to actively participate in the forum on IVLE to discuss course related and general investments related issues.

Assessment/Grading

Your grade will be based on your performance in class participation (5%), homework (5%), two case assignments (20%), a project (10%), a stock market trading contest (5%), a mid-term examination (20%), and a final examination (35%). The homework, case assignment, stock market trading contest, and project are to be done by groups of four to five students.

Class Participation

Simply attending the class is not enough to get a favorable class participation grade. In evaluating class participation, I will look for comments that are thoughtful and lead the discussion forward. You can improve your participation grade considerably by coming to class prepared. In grading for class participation, I will also take into account your active participation in the forum on IVLE.

Homework

You will be asked to do several homework assignments. At the end of the term I will grade only two randomly selected assignments. Failure to turn in an assignment (even one which is not eventually graded) by the deadline will result in a penalty.

Case Assignment

Each group is expected to submit a case memorandum for the two cases that we will discuss in class. The case memorandum should be a maximum of 2 pages (typed and double-spaced) for the write-up and a maximum of 3 pages for any supporting tables/graphs/exhibits. More details on the case assignment will be provided in a separate document.

Project

The focus of the project will be on the estimation of the cost of capital of a real-life company as of the end of its most recent quarter/year. More details on the project will be provided in a separate document.

Stock Market Trading Contest

Each group will compete in a trading game using virtual money in an online stock exchange. You should apply the concepts learnt in class to make investment decisions. These concepts include (but are not limited to) an understanding of: the relationship between risk and return, the benefits of diversification, the impact of transaction costs on returns, and valuation techniques such as discounted cash flow valuation and relative valuation. Each group will make a short presentation at the end of the contest to explain the investment approach that was employed. More details will be provided in a separate document.

Mid-term and Final Examination

The examination format will be a combination of multiple-choice questions, short problems, long problems, and short essay-type questions. These questions will be designed to test your analytical and problem solving skills, and your knowledge of conceptual and qualitative

material. The final examination will be cumulative but will emphasize topics covered after the mid-term exam.

If you are not satisfied with your grade on an exam or an assignment, you may ask for your analysis to be re-graded, giving detailed and substantial justifications for your request. You should bear in mind that if I accept your request and re-grade your exam or assignment, you can be given the same grade, a higher grade or a lower grade than originally assigned.

Contact Information

In general, you may meet me at any time I am in my office. To ensure that I am available for consultation, I recommend that you make an appointment. I encourage students to contact me through email. I usually check my email several times a day during weekdays; slightly less frequently on weekends.

List of Major Topics

The following is a list of the major topics that are proposed to be covered in this course. Based on the progress of the class, minor changes (additions or deletions) may be made to this list.

- Basics of financial investments
 - ◆ How securities are traded
 - ◆ How securities are issued
 - ◆ Implications of efficient capital markets
- Portfolio theory
 - ◆ Diversification and asset allocation
 - ◆ The Markowitz portfolio selection model
- Analysis of equity
 - ◆ Valuation of equity
 - ◆ Financial statement analysis
- Portfolio Management
 - ◆ Mutual funds, hedge funds, and other investment companies
 - ◆ Passive and active portfolio management
 - ◆ Portfolio performance evaluation
- Analysis of fixed income securities
 - ◆ Bond prices and yields
 - ◆ Bond duration and convexity
 - ◆ Managing bond portfolios
- Analysis of derivative securities
 - ◆ Option strategies
 - ◆ Option valuation using binomial option pricing and Black-Scholes
 - ◆ Forwards, Futures, and Swaps
 - ◆ Hedging using derivatives