

Survey of Investments (FINA 4310)

Course Syllabus

Spring 2009

Professor Alexander Barinov

438 Brooks Hall, Finance Dept

Tel. 706-542-3650

E-mail: abarinov@terry.uga.edu

Meeting Times and Locations

84-173 - Monday, Wednesday, Friday, from 9:05 to 9:55, Sanford 112

04-174 - Monday, Wednesday, Friday, from 10:10 to 11:00, Sanford 112

14-175 - Monday, Wednesday, Friday, from 1:25 to 2:15, Caldwell 302

Office Hours

Wednesdays from 3:30 to 5:00 or by appointment

Course Objectives

The main goal of the course is to equip the students with the knowledge of theory and empirical regularities necessary for active equity portfolio management. Rather than describing the operational details of current practice, the course aims at providing a lasting conceptual framework for understanding how assets are priced.

After completing the course, the student is expected to:

- Understand the concept of market efficiency and its practical applications
- Understand the theoretical motivation and the empirical strengths and weaknesses of the contemporary asset pricing models
- Know the definitions and understand the potential causes of the most well-known anomalies (deviations from the predictions of the asset pricing models)
- Be able to apply the asset pricing models and fundamental analysis to evaluation and improvement of portfolio management
- Be familiar with the main issues of bonds pricing and interest rates behavior
- Be familiar with the definitions, trading, and pricing of several derivatives, most importantly options and futures

Prerequisites

The course assumes that it is the student's first in-depth course in asset pricing. The students are required to have completed the basic course in finance (FINA 3000) and the basic course in probability and statistics (MSIT 3000 or STAT3000). The course assumes that the students are familiar with the concepts of time value of money and discounting, can work with probability distributions and their moments, including covariances, and can understand the output of regression analysis and basic hypothesis testing.

Grading

The course will include three projects to be completed in groups of maximum four people (10% of the grade each), the midterm (35% of the grade), and the non-cumulative final (30% of the grade). You get the remaining 5% of the grade for completing the trades in Stocktrak. The three top performing teams get a bonus. The grade is relative (i.e., it is possible to get 60% for the exams and still get an A, if others do even worse). I expect that 40% of the class will get A or A- and less than 15% will fall below B-.

Tentative Course Outline

BKM means the course primary textbook by Bodie, Kane, Marcus. ChX means that you have to read the whole Chapter X, x.x marks the subsection, . We have 15, not 14 weeks in the course, which means that we will eventually fall behind the schedule. The syllabus and the course outline are subject to change.

I will also post some additional reading (primarily scholarly articles) on WebCT. They will be marked as the week number in the outline below plus the author name. Reading these articles is optional, but it can help in digesting the parts of the course that are not covered sufficiently by the textbook.

Week 1 Equity Securities: Definition and Trading

Reading: BKM 2.3, 3.3-3.7

Week 2 Efficient Market Hypothesis and Event Studies

Reading: BKM 2.4, 8.1-8.3

Week 3 Asset Allocation and Optimal Portfolio

Reading: BKM Ch5, 6.1-6.4, 6.6

Week 4 Capital Asset Pricing Model

Reading: BKM 7.1, 7.2

Week 5 Empirical Tests of CAPM

Reading: BKM 6.5, 7.3

APT and Multifactor Models

Reading: BKM 7.4, 7.5

Week 6 Empirical Tests of Conditional CAPM and ICAPM

Long-Run Return Predictability

Reading: 12.1-12.6, 13.6

Weeks 7 and 8 Anomalies and Behavioral Finance

Reading: BKM Ch9

Week 9 Evaluating Portfolio Performance

Reading: BKM Ch4, Ch18, Ch21

Week 10 Fundamental Analysis

Reading: BKM 13.1-13.5

Week 11 Bonds Pricing

Reading: BKM 2.1, 2.2, Ch10

Week 12 Interest Rates and Term Structure

Reading: BKM Ch11

Week 13 Options

Reading: BKM 2.5, 15.1-15.3, Ch16

Week 14 Futures

Reading: BKM 2.5, Ch17