**Course Syllabus**

**Finance 7110 - Investments**

**Fall 2020**

# **Professor** Bill Reese

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 Office Hours: Mondays 4:00 – 5:00 via Zoom

**Course Material** *Investments* 12th Edition or earlier

 By Bodie, Kane and Marcus (recommended, but not required)

Additional readings (some required and some optional) can be found on the class website.

**Cases** (see class website for how to obtain cases)

 Note: All cases are required reading

 Martingale Asset Management (Martingale)

 Barclays Global Investors and Exchange Traded Funds (Barclays)

 Maverick Capital (Maverick)

 Behavioral Finance at J.P. Morgan (BF at JPM)

 Applying the Capital Asset Pricing Model (CAPM)

**Prerequisites** Students must have completed the core finance class.

**Grading** Final Exam 30%

 Midterm Exam 30%

 Stock-Trak 10%

Efficient Frontier 5%

Am I Diversified? 5%

Expected Returns for CAPM and FF3 5%

Duration and Bootstrapping 5%

Fixed Income Problem Set 5%

Attendance 5%

I plan to adhere to the Freeman School grading guidelines which recommend a class-GPA in the range of 3.33 – 3.67 for elective MBA courses.

**Goals and**

**Objectives** The first half of this course will be an in-depth study of portfolio theory. We will develop the foundations of Modern Portfolio Theory and show how you would use its principals to calculate mean/variance efficient portfolios. We will also look at alternatives to MPT with multifactor models, specifically the Fama/French three-factor model. The second half of the course will focus on fixed income analytics. We will discuss how to price various types of fixed income securities and how to measure their interest rate risk. We’ll learn how to hedge interest rate risk. We’ll also examine various theories about the term structure of interest rates, learn how to derive implied forward interest rates and bootstrap a yield curve.

**Readings** The text (BKM) is not required, but since almost all the material in the first half of this course comes from this text, I recommend that you read it as a key source of information. There are several required readings (and many optional ones). These can be found on the class website, except for the Harvard Cases which must be purchased (see the class website for details on how to purchase them).

**Stock-Trak** Each student will join an investment team (minimum 3 and maximum 5 students per team) and will participate in a portfolio simulation exercise managing $1,000,000 over the semester. The simulation is professionally-managed by Stock-Trak Global Portfolio Simulations ([www.stocktrak.com](http://www.stocktrak.com)). The investment period extends from Aug. 19 to November 17. The fee per registered account is $29.95 (I believe your text may have a discount coupon if you buy it new). Each investment team will prepare a Fund Prospectus at the beginning of the exercise and a performance analysis at the end of the exercise. Additional information can be found on the class website on the Assignments Page.

**Assignments** In addition to Stock-Trak, there will be five assignments over the course of the semester. These assignments are due at the start of class on the scheduled due date. If they are late, you will lose points. Assignments are to be done individually unless the assignment instructions specifically state otherwise.

**Midterm Exam** Please note that the midterm exam will be a four-hour exam that will be held on Friday Oct. 2. To compensate you for your time, there will be no class on Oct. 5 and Nov. 16.

**Attendance** I think that it is important for you to attend class whenever possible. You will be responsible for anything covered in class, even if you are not in attendance that day. A lack of attention during class, or inappropriate use of a laptop or cellphone during class can have an impact on your attendance points. If you are not in class because you are not feeling well, it will not adversely affect your attendance points as long as you view the video of the class within one week.

**Syllabus** Please note that this syllabus is not a contract. It is a statement of expectations and information. I reserve the right to change anything in it at any time.

**Website** I will be maintaining a website for this course at

<https://breesefine7110.tulane.edu/>

On it, I will be posting announcements that you will want to read,

class notes, assignments, test scores, and other worthwhile information. I strongly encourage you to visit the website regularly to keep up with what’s going on in class.

* **Freeman Educational Norms and Expectations**

This class is in full accordance with [Freeman’s Educational Norms and Expectations](https://tulane.app.box.com/s/o9q75385zep0ad3izl91ke783wiosesb).

* **Goldman Center for Student Accessibility and ADA/Accessibility Statement**

Any students with disabilities or other needs, who need special accommodations in this course, are invited to share these concerns or requests with the instructor and should contact Goldman Center for Student Accessibility: [http://accessibility.tulane.edu](http://accessibility.tulane.edu/) or 504.862.8433.

* **Statement about Academic Integrity**

The Code of Academic Conduct applies to all undergraduate students, full-time and part-time, in Tulane University. Tulane University expects and requires behavior compatible with its high standards of scholarship. By accepting admission to the university, a student accepts its regulations (i.e., [Code of Academic Conduct](https://college.tulane.edu/code-of-academic-conduct) and [Code of Student Conduct](https://conduct.tulane.edu/resources/code-student-conduct)) and acknowledges the right of the university to take disciplinary action, including suspension or expulsion, for conduct judged unsatisfactory or disruptive.

**Finance 7110 Fall 2020**

**Tentative Schedule**

|  |  |  |  |
| --- | --- | --- | --- |
| **Class** | **Topic** | **Readings** | **Assignments Due** |
| 8/19 | IntroRisk and Risk Aversion Part 1 | BKM 6 |  |
| 8/24 | Risk and Risk Aversion Part 2 |  |  |
| 8/26 | Risk and Risk Aversion Part 2 |  |  |
| 8/31 | Optimal Risky Portfolios | BKM 7 |  |
| 9/2 | Optimal Risky PortfoliosAm I Diversified? |  | Stock Trak Prospectus |
| 9/9 | Mean/Variance Optimization in Excel |  |  |
| 9/14 | Developing the CAPM | BKM 9 | Am I Diversified?  |
| 9/16 | Applications of the CAPM | BKM 8Fama/FrenchCAPMSiegel |  |
| 9/18Friday | Applications of the CAPM |  |  |
| 9/21 | Multifactor Models | BKM 10CochraneURR |  |
| 9/23 | Multifactor Models |  | Efficient Frontier |
| 9/28 | Market Indexes | Martingale MaverickCampbell | Expected Returns for CAPM and FF3 |
| 9/30 | Professional Asset Management | Barclays |  |
| 10/24 hoursFriday | Midterm Exam |  |  |
| 10/5 | No Class |  |  |
| 10/7 | Review Midterm Exam |  |  |
| 10/12 | Review of Bond Basics | BKM 14 |  |
| 10/14 | Bond Quotes and PricesTreasury Issue Process | BKM 15 |  |
| 10/19 | Strips and TIPS Repos  | BKM 16 |  |
| 10/21 | Implied Forward RatesDiscuss F.I. Prob. Set |  |  |
| 10/26 | Theories of Term Structure Bootstrapping |  |  |
| 10/28 | Interest Rate RiskDuration, Modified Duration, Convexity |  | Fixed Income Problem Set |
| 11/2 | PVBP Portfolio Duration  |  |  |
| 11/4 | Hedging Interest Rate RiskInt. Rate Forwards, Futures, and Futures OptionsDiscuss Dur and Boot Assign. |  |  |
| 11/9 | Swaps |  |  |
| 11/11 | Swaps |  | Duration and Bootstrapping |
| 11/16 | No Class |  |  |
| 11/18 | Portfolio Evaluation Methods | BKM 24  |  |
| 11/23 | Behavioral Finance | BKM 11-12 De BondtBF at JPM | Stock Trak Analysis |
| TBD4 Hours | Final Exam |  |  |