**Course Syllabus**

**Finance 7110-21 - Investments**

**Fall 2021**

# **Professor** Bill Reese

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Office Hours: Wednesdays 4-5 pm

**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 Sept. 1to November 19. 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 you will have four hours for each of your exams. Your midterm exam is scheduled for Oct. 19 and the final exam is scheduled for Dec. 14.

**Attendance** This is an in-person class. It is not being offered as a remote class to any student unless that student has been officially designated as a remote student by the Associate Dean of the Business School. As a helpful review tool, I plan to record each class and post the recording on Canvas, but viewing a recorded class does not affect your attendance requirement. You are 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.

**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 have posted class notes, instructions for your assignments, some required readings, some optional readings, PowerPoints that I will cover, Spreadsheets we will look at during class, and links to various other finance material. The material on this website will be available for you even after this course endes.

* **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** |
| 8/24 | Intro  Risk and Risk Aversion Part 1  Market Indexes | BKM 6 |  |
| 8/31 | Risk and Risk Aversion Part 2 |  |  |
| 9/7 | Optimal Risky Portfolios  Am I Diversified? | BKM 7 | Stock Trak Prospectus |
| 9/14 | Mean/Variance Optimization in Excel  Developing the CAPM | BKM 9 | Am I Diversified? |
| 9/21 | Applications of the CAPM | BKM 8  Fama/French  CAPM  Siegel |  |
| 9/28 | Multifactor Models | BKM 10  Cochrane  Under. Risk and Return | Efficient Frontier |
| 10/5 | No Class – Fall Break |  |  |
| 10/12 | Professional Asset Management  Behavioral Finance | Martingale  Maverick  Campbell Barclays  DeBondt  BF at JPM  BKM 12 | Expected Returns for CAPM and FF3 |
| 10/19  4 hours | Midterm Exam |  |  |
| 10/26 | Review Midterm Exam  Review of Bond Basics |  |  |
| 11/2 | Bond Quotes and Prices  Treasury Issue Process  Strips and TIPS  Repos | BKM 14 |  |
| 11/9 | Implied Forward Rates  Theories of Term Structure Bootstrapping  Discuss F.I. Prob. Set | BKM 15 |  |
| 11/16 | Interest Rate Risk  Duration,  Modified Duration, Convexity  Portfolio Duration | BKM 16 | Fixed Income Problem Set |
| 11/23 | No Class – Thanksgiving Break |  |  |
| 11/30 | Hedging Interest Rate Risk  Int. Rate Forwards, Futures, and Futures Options  Discuss Dur and Boot Assign. |  |  |
| 12/7 | Swaps |  | Duration and Bootstrapping |
| 12/14  4 Hours | Final Exam |  | Stock Trak Analysis |