**Course Syllabus**

**Finance 7110-21 - Investments**

**Fall 2023**

# **Professor** Bill Reese

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 Office Hours: Tuesdays 4:00 – 5:00 in person, or via Zoom

**Course Material** *Investments* 13th 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. 28 to Dec. 1. The fee per registered account is about $32 (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.

**Exams** Please note that our Midterm Exam is scheduled during our regularly scheduled class time on Tuesday October 10 and our Final Exam is scheduled during our regularly scheduled class time on Tues. Dec. 12. You will have four hours to complete each exam.

**Attendance** This is an in-person class. It is not being offered as a remote class. 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. Students are prohibited from posting class recordings or sharing them elsewhere. 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. I do not differentiate between an “excused absence” vs. an “unexcused absence” unless Tulane University has asked you to miss class or you are observing a religious holiday.

**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 **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**

Under the Americans with Disability Act and Section 504 of the Rehabilitation Act, if you have a disability, you may have the right to an accommodation; however, the right is contingent upon your taking certain steps. You should review the steps that you need to take, as well as Tulane’s policy concerning accommodations at <https://accessibility.tulane.edu/>.

Any student with a disability or in need of course or examination accommodation, should request an accommodation through the University’s Goldman Center for Student Accessibility, located in the basement of the Howard Tilton Memorial Library. Visit https://accessibility.tulane.edu or call 504.862.8433 for more information.

At the beginning of the semester, please provide me with a copy of your approved accommodation form. I am committed to working with the Goldman Center to ensure that I provide you with all approved accommodations. If you do not deliver the approved accommodation form to me, I will not know that the Goldman Center approved your accommodation and I will have no basis to provide those accommodations.

* **Statement about Academic Integrity**

This class will be conducted in full accordance with published Norms and Expectations for Students in Freeman Classes. Please review the Norms and Expectations in your graduate program handbook which can be found on the Freeman School website <https://freeman.tulane.edu/current-students/graduate-student-resources>.

**Finance 7110-21 Fall 2023**

**Tentative Schedule**

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| --- | --- | --- | --- |
| **Class** | **Topic** | **Readings** | **Assignments Due** |
| 8/22 | IntroRisk and Risk Aversion Part 1Risk and Risk Aversion Part 2 | BKM 6 |  |
| 8/29 | Risk and Risk Aversion Part 2Optimal Risky Portfolios | BKM 7 |  |
| 9/5 | Optimal Risky PortfoliosMean/Variance Optimization in ExcelDiscuss Am I Diversified? |  | Stock Trak Prospectus |
| 9/12 | Developing the CAPMApplications of the CAPM | BKM 9BKM 8Fama/FrenchCAPMSiegel | Am I Diversified?  |
| 9/19 | Multifactor Models | BKM 10CampbellCochrane | Efficient Frontier |
| 9/26 | Market IndexesReview/Catch up | URRMartingale  | Expected Returns for CAPM and FF3 |
| 10/104 Hours | Midterm Exam |  |  |
| 10/17 | Review Midterm ExamProfessional Asset Management | BarclaysMaverick |  |
| 10/24 | Review of Bond BasicsBond Quotes and PricesTreasury Issue Process | BKM 14 BKM 15 |  |
| 10/31 | Strips and TIPS Repos  | BKM 16 |  |
| 11/7 | Implied Forward Rates Theories of Term Structure Bootstrapping Discuss F.I. Prob. Set  |  |  |
| 11/14 | Go over FI Prob. SetInterest Rate RiskDuration, Modified Duration, ConvexityPVBP Portfolio Duration  |  | Fixed Income Problem Set |
| 11/28 | Hedging Interest Rate RiskInt. Rate Forwards, Futures, and Futures OptionsDiscuss Dur and Boot Assign. |  |  |
| 12/5 | Go over Duration and Bootstrapping AssignmentSwap BasicsBehavioral Finance | BKM 11-12 De BondtBF at JPM | Duration and Bootstrapping |
| 12/124 Hours | Final Exam |  | Stock Trak Analysis |