Investment Management - Fall 2009

Instructor:
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Course Objective:
A good knowledge of financial markets and investment decision making process is important for everyone these days. Being business and finance professionals, you are expected to understand the issues related to investments in depth.

This course will introduce you to the different kinds of securities and their characteristics. It will give you some quantitative and analytical tools to value the securities. Since there is so much uncertainty and noise in the financial markets, it is impossible to determine the true values of securities with any confidence. Therefore, most investors are better forming diversified portfolios. This course will present some tools for designing diversified portfolios and assessing their performance. Finally, as investment professionals you will be expected to hedge against specified sources of risks.

We will also examine some strategies for identifying temporary security mispricing that may be exploited to make unusual profits. I must caution that these opportunities are short-lived and do not come about often.

Textbook:

References:

Class Conduct:
I expect you to maintain professional conduct through the course. In particular, please refrain from behavior that may disturb others in the class. Also, I expect you to follow high ethical standards and refrain from practices that may be construed asademically dishonest.
Exams:

Midterm and final exams are in-class and closed-everything. You should not be excused from both exams for any reasons. If you have to miss the exams, you may not be given any chances to do make-up exams. Please contact me before the exams. The registered score of any make-up exams, if any, will be 80% of what you actually score in the make-up exams except some exceptional reasons which will be on the instructor’s judgment.

Grading Plan:

Your final grade will be based on the following items:

<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Midterm and Final Exams</td>
<td>40%</td>
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<tr>
<td>Case Discussions, Assignments and Term Case</td>
<td>60%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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Materials Covered:

Part I. Background, Basic Principles, and Investment Policy

Ch.4 Organization and Functioning of Securities Markets
Ch.5 Security-Market Indexes
Ch.3 Selecting Investments in a Global Market
Ch.1 The Investment Setting

Part II. Developments in Investment Theory

Ch.6 Efficient Capital Markets
Ch.7 An Introduction to Portfolio Management
Ch.8 An Introduction to Asset Pricing Models
Ch.9 Multifactor Models of Risk and Return

First Evaluation of Term Case

Part III. Valuation Principles and Practices

Ch.10 Analysis of Financial Statement
Ch.11 An Introduction to Security Valuation
Case: Ceres Gardening Company: Funding Growth inorganic Products (HBS)

Part IV. Analysis of Management of Common Stocks

Ch.12   Macroanalysis and Microvaluation of the Stock Market
Ch.13   Industry Analysis
Ch.14   Company Analysis and Stock Valuation
Ch.15   Technical Analysis
Ch.16   Equity Portfolio Management Strategies

Case: The State of South Carolina (HBS)

Part V. Analysis of Management of Bonds (All chapters in this part will be combined into one lecture)

Ch.17   Bond Fundamentals
Ch.18   The Analysis and Valuation of Bonds
Ch.19   Bond Portfolio Management Strategies

Second Evaluation of Term Case

Part VI. Derivative Security Analysis ((All chapters in this part will be combined into one lecture)

Ch.20   An Introduction to Derivative Markets and Securities
Ch.21   Forward and Futures Contracts
Ch.22   Option Contracts
Ch.23   Swap Contracts, Convertible Securities, and Other Embedded Derivatives

Part VII. Specification and Evaluation of Asset Management

Ch.2    The Asset Allocation Decision
Ch.24   Professional Money Management, Alternative Assets, and Industry Ethics
Ch.25   Evaluation of Portfolio Performance

Final Evaluation of Term Case
Term Case Guideline

Fall 2009

The case report for Investment Management must be completed individually or by a group with no more than 3 people. Followings are guidelines you should be aware of and must not violate.

1. **Topic Selection**
   The topic can be any one related to finance. Of course, it is better to be investment-related but not required, though.

2. **How to write a case report:** Charles Warner gave us some tips about how to write a case report:

   1) Keep your audience in mind: Remember that you are writing for students or discussants who may not be familiar with the background, details, and terminology of the situation. Keep jargon to a minimum.
   2) Use short-story-writing techniques: A case has flesh-and-blood characters who should be intriguing. Each story element should move the narrative forward.
   3) Openings: Grab the reader with a character facing his or her biggest problem: set the scene for the confrontations, the frustrations, and the main conflicts.
   4) Present situations and scenes without any attempt at analysis: Scenes must follow a logical order and should illustrate a point, concept, or issue that relates to the problems that the writer wants to have analyzed. Do not give any signals that one solution might be preferred.
   5) Provide relevant details: After an opening that sets up the situation, provide relevant details about goals, strategies, dilemmas, issues, conflicts, roadblocks, appropriate research, relevant financial information, people, and relationships. Be stingy with numbers; they must help solve the problems, not confuse readers or send them off on unproductive analytic tangents.
   6) Use as much dialogue as possible: Make the characters come alive with dialogue. Straight narrative is boring.
   7) Endings: Leave the reader with a clear picture of the major problems--either ask or imply "what is to be done now?"

**Remark: (Data Sources and References)** You should be responsible to clearly indicate all the information sources you use in your project and list all the references in the report.
3. **Academic Integrity Policy Requirement:**

You should not just copy the original statements in the papers or books you use as references in the project. “*Copying only the original statements*” behavior will be recognized as plagiarism. In case of plagiarism, you will be required by the instructor either to redo the project or to get zero credit. The better way to avoid plagiarism is write your own statements to illustrate other people’s findings and ideas. Of course, you cannot submit the paper written by someone else but you.

4. **Remarks:**

1. You have to submit a complete case report which includes the **main text, reference materials, data, and computer programs** (if any) to me.
2. You have to submit your case report to me through my international investments web course listed on the [http://iteach.ncku.edu.tw/](http://iteach.ncku.edu.tw/) unless otherwise indicated.
3. You will get extra credits if your work is proven your own work and outstanding according to the instructor’s academic judgments.

*If you have done your best, you would not get poor grades as you might think.*

**Good Luck!**