



北京大学 汇丰商学院  
Peking University HSBC Business School

Investments

Fall 2014

**Location/Time:** Room 403, Tuesday-Friday 10:30-12:20

**Professor:** Domenico Tarzia

**Phone:** 2063-2004

**Office:** Room 654

**Email:** [dtarzia@phbs.pku.edu.cn](mailto:dtarzia@phbs.pku.edu.cn)

**Office Hours:** Wednesday 14:00 – 16:00 or by appointment

**Course Description:** This course offers the institutional details, financial theory and quantitative tools necessary for understanding the pricing and use of stock and bond prices. Topics covered include modeling the relation between risk and return, optimal portfolio selection based on mean–variance analysis, and asset pricing. The focus is mainly on common stocks, but fixed income securities (bonds) are also analyzed. The course is quantitative and challenging. Rather than delving into the details of current practice, it takes a rigorous and critical view to the investment process. The aim is to provide the students with a lasting conceptual framework in which to view and analyze investment decisions. At the same time, the course will discuss alternative philosophies of investing, and relate the material to current financial news and to problem relevant to practitioners.

**Objectives:**

- Introduce the different financial instruments and their markets
- Model how investment choices are made based upon return and risk
- Compute and understand the properties of returns of various financial assets including stocks, bonds.

**Grading:** Weightings on the various components of the Final grade are as follows

In-class participation	15%
Project	30%
Final Exam	55%

**Project:** The project will consist in a group presentation and a report on a topic assigned by the instructor. Further details will be given later on by the instructor.

**Final Exam:** Final exam will be closed book. Calculators are permitted, except those with word processing capabilities. Cell phones are not allowed as calculators. No formulas will be provided and no cheat sheet is allowed in the final exam.

**Course Materials:** Bodie, Zvi, Alex Kane, and Alan Marcus, Investments, McGraw Hill, 9th Edition, ISBN: 0073530700, 2010 (BKM).

## Preliminary Course Schedule

<b>Week</b>	<b>Topic</b>
Sep. 2	Introduction to the Class The Investment Environment (BKM 1) Asset Classes and Financial Instruments (BKM 2)
Sep. 5	Asset Classes and Financial Instruments (BKM 2) How Securities are Traded (BKM 3)
Sep. 9	Mutual Funds and Other Investment Companies (BKM 4)
Sep.12	Introduction to Risk, Return and the Historical Record (BKM 5.1-5.5; BKM 5.8)
Sep.16	Risk Aversion and Capital Allocation to Risky Assets (BKM 6)
Sep.19	Optimal Risky Portfolios (BKM 7)
Sep.23	The Capital Asset Pricing Model (BKM 9)
Sep.26	Index Models (BKM 8)
Sep.30	Arbitrage Pricing Theory and Multifactor Models of Risk and Return (BKM 10)
Oct.10	Bond Prices and Yields (BKM 14)
Oct.14	The Term Structure of Interest Rates (BKM 15)
Oct.17	Managing Bond Portfolios (BKM 16)
Oct.21	Mock Exam
Oct.24	The Efficient Market Hypothesis (BKM 11)
Oct.28	Behavioral Finance and Technical Analysis (BKM 12)
Oct.31	Empirical Evidence on Security Returns (BKM 13)
Nov.4	Group Presentation
Nov.7	Group Presentation
Nov.11	Final Exam