FINANCE 411
Investment Analysis and Portfolio Management
Fall 2018

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Course web: on Blackboard
Office Hours: By appointment

Class Meetings
Section 001: Monday & Wednesday, 12:00-1:15PM, EXPL L111

The Course Objectives
This course is designed to expose students to advanced portfolio management and asset valuation. The objectives are for students to use modern return-risk trade-off tools to construct optimal risky portfolios and to price various securities. Particularly for the second objective, students will learn the modern valuation techniques of various fixed income securities, equities, and derivative securities such as futures, options and swaps.

Learning Goals
Upon successful completion of this course, students will be able to (1) value complex projects, assets and securities, (2) demonstrate, evaluate, and explain the risk return trade-offs in finance, and (3) price and use derivatives.

Prerequisites
Students are expected to be facile with statistics, economics, and linear algebra. Since FNAN411 is an advanced course in investments, you are required to have successfully completed FNAN311 and feel comfortable with the materials covered in that course. If students are uncertain as to whether they satisfy the requirement or expect to succeed in FNAN411, they should discuss the issues with the instructor.

Course Resources and Supporting Items

Required Textbook
Optional Textbook and Other Resources

- Solutions Manual for use with BKM.
- A calculator is required. Sometimes, class lectures will involve working through problems. Thus, you should have your calculator ready before class starts.
- A subscription to the Wall Street Journal is strongly recommended. Other helpful periodicals include Barron’s, Business Week, and other financial newspapers. During the term, you may be asked to read certain articles in current business periodicals.

Grades

Since this is an advanced course in investments, it inevitably covers more difficult material and concepts than those in FNAN 311. *Students are responsible for putting in sufficient time to study the textbook, course notes, and problems.* I expect this course to be intellectually demanding. My intention is to grade generously, but fair. I will, however, not hesitate to give low grades to those who clearly did not put in sufficient amount of effort. You also will be evaluated on the basis of class participation/attendance.

Your final grade will be based on:

- Class Participation/Attendance: 5%
- Project: 10%
- Exam I: (10/1, Monday) 20%
- Exam II: (11/5, Monday) 25%
- Final Exam: 40% (Comprehensive)
- Final Grade: 100%

The final exam is scheduled by the University on 12/17 (Monday), starting @ 10:30am. Students are not allowed to skip any of the prescheduled exams. One exception is that you present a physician’s statement attesting to illness on the day of the exam or for an extraordinary reason. Although exams are closed-book closed-notes, students are allowed to bring an A4- or letter-size sheet that contains formulae or notes (on both sides).

Students’ final letter grades for the course are determined based on the following: A: 92.0 or greater, A-: 89.0 – 91.9, B+: 86.0 – 88.9, B: 82.0 – 85.9, B-: 78.0 – 81.9, C+: 74.0 – 77.9, C: 69.0 – 73.9, D: 60.0 – 68.9, F: 59.9 or less.

Homework Problems

I will assign problems for homework. They will not be collected, but part of exams will be taken either directly or slightly modified from them. Thus, it is important that you do homework problems. Just reading and memorizing the answers to the study questions will not prepare you for the exams. You may find their volume too much to handle alone; the best way to proceed is to work in groups.
Project
Details on the project will be handed out in class. It will be a team project (a team of 3-5 students). You will *not* be allowed to work alone under any circumstances; so please plan ahead accordingly. At the end of the semester, a “peer-evaluation” form will be distributed to allow students to rate the relative contribution of each group member. These ratings will be utilized when determining your overall grade for the project.

Other Policies
**Appeals:** Exams will be returned in class and the correct answers/problem solutions discussed. A copy of the exam solution will be posted on the web site. Grading errors should be corrected. Before requesting for re-grading your exam, please first check the exam solution on the web site. In case appeals are necessary, they must be in writing within one week after the graded work is made generally available. In general, the entire exam will be checked for grading errors, and correcting these could either raise or lower the overall score.

**University Office of Disability Services:** If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at (703) 993-2474. All academic accommodations must be arranged through the DRC.

**Academic Misconduct:** It causes failing the course and triggers quite unpleasant university-mandated procedures which result in further sanctions. Faculty Rule 2.11.5 (Faculty Responsibility under the Honor Code) requires alleged academic misconduct to be reported to the department and the Honor Committee. Please! Don’t even think about it.
**Course Outline**
Lecture notes and other course materials will be posted on the Blackboard. Please download lecture notes before class.

1. **Diversification and Portfolio Theory**  
   Chapters 5 and 6

2. **Fixed Income Securities and Term Structure of Interest Rates**  
   Chapters 10 and 11

3. **Equity Valuation**  
   Chapter 13

4. **Options and Other Derivative Securities**  
   Chapters 15, 16, and 17

5. **Financial Risk Management Using Derivative Securities**  
   Chapter 17

6. **Market Efficiency**  
   Chapter 8

7. **Behavioral Finance and Technical Analysis**  
   Chapter 9