MBA 706
Investment Analysis
Fall 2012

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Course web page: on Blackboard
Office Hours: By appointment

Class Meetings

Monday, 7:20~10:00, Enterprise Hall, Room 277

The Course Objectives

This course is designed to expose students to modern portfolio management and asset valuation. The focus is on institutional investing although the material is also relevant for individuals. The goal is to offer an unbiased presentation of different investment styles, present current empirical evidence in investments, and for students to use modern investment strategies and risk-management tools to manage equity and fixed income portfolios. In particular, students will learn the concepts of trading, risk and return, asset allocation, diversification, pricing models, portfolio performance evaluation, and market efficiency.

Prerequisites

Students are expected to be facile with basic statistics, economics and accounting. In particular, students are required to have successfully completed all MBA core courses. The contents from MBA613, MBA633 and MBA643 will be especially useful for this course.

Course Resources and Related Items

Required Textbook
- Other reading materials will be distributed in class or posted on Blackboard.

Other Resources
- 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 Business Week, Barron’s, and other financial newspapers. A sign up form will be distributed during the first week of class. During the term, you may be asked to read certain articles in current business periodicals.
- There are several informative financial web sites:

**Grades**

Since this is an advanced MBA course in finance, it inevitably covers more difficult material and concepts than core MBA courses. In addition, because of its nature, this course is more mathematical than other MBA courses. *Students are responsible for putting in sufficient time to study the textbook, course notes, and problems.* I expect this course to be interesting, but also 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 and attendance.

Your final grade will be based on:

- **Class Participation:** 5%
- **Midterm Exam I:** *(9/24)* 10%
- **Midterm Exam II:** *(10/29)* 15%
- **Final Exam:** 20% (comprehensive)
- **3 Group Projects:** 50% (15%, 15%, and 20%)
- **Final Grade** 100%

The final exam is scheduled by the University at **7:30 on December 17**. Students are not allowed to skip any of the scheduled 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.

**Homework Problems**

I will also 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 these questions. Just reading and memorizing the answers to the study questions will not prepare you for the exams. A good way to proceed is to work and study with group members.

**Project**

Details on the projects will be handed out in class. They will be team projects (a team of 3-5 students). You will *not* be allowed to work alone under any circumstances, so please plan 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 projects.

**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, but not the date you first look at it. In general, the entire document 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.
Course Outline
Lecture notes and other course materials will be posted on the Blackboard or distributed in class. Please download lecture notes before class.

1. Introduction, Trading Mechanisms, Margin Trading, and Short Selling
   **Readings:**
   - Chapters 1, 2, 3
   - Google IPO
   - Facebook IPO
   - Berkshire Hathaway’s Stock Split

2. Capital Markets and Risk vs. Return
   **Readings:**
   - Chapter 5

3. Diversification and Multi-Assets Portfolio Theory
   **Readings:**
   - Chapters 6, 7

4. CAPM and APT
   **Readings:**
   - Chapters 9, 10

5. Mutual Funds, Hedge Funds, and Performance Evaluation
   **Readings:**
   - Chapters 24, 26
   - “It’s All In the Timing,” Business Week, February 19, 2007.

6. Market Efficiency and Anomalies
   **Readings:**
   - Chapter 11