MBA 706
Investment Analysis
Spring 2011

Jim Hsieh, Ph.D.
Office: 236 Enterprise Hall
Phone: (703) 993-1840
E-mail: jhsieh@gmu.edu
Course web page: on Blackboard
Office Hours: By appointment

Class Meetings

Tuesday, 7:20~10:00, Arlington Campus, ARLFH 210

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
- Solutions Manual for use with BKM.
- Other reading materials will be distributed in class.
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:
  - More useful links will be included on the class web site.

Grades

Since this is an advanced MBA course in finance, it inevitably covers more difficult material and concepts 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:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Participation</td>
<td>5%</td>
</tr>
<tr>
<td>Midterm Exam: (3/22)</td>
<td>20%</td>
</tr>
<tr>
<td>Final Exam:</td>
<td>35%</td>
</tr>
<tr>
<td>3 Group Projects:</td>
<td>40% (10%, 10%, and 20%)</td>
</tr>
<tr>
<td>Final Grade</td>
<td>100%</td>
</tr>
</tbody>
</table>

The final exam is scheduled by the University at 7:30 on May 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.

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. You may find their volume too much to handle alone; the best way to proceed is to work in groups.

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.)*

<table>
<thead>
<tr>
<th>Chapters</th>
<th>Chapters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction, Basic Concepts</td>
<td>1, 2, 3</td>
</tr>
<tr>
<td>2. Probability Background, Capital Markets</td>
<td>5</td>
</tr>
<tr>
<td>3. Diversification, Portfolio Theory</td>
<td>6, 7</td>
</tr>
<tr>
<td>4. CAPM and APT</td>
<td>9, 10</td>
</tr>
<tr>
<td>5. Market Efficiency, Anomalies, and Behavioral Finance</td>
<td>11, 12</td>
</tr>
<tr>
<td>6. Mutual Funds, Hedge Funds, and Performance Evaluation</td>
<td>4, 24, 26</td>
</tr>
</tbody>
</table>