

**ASSUMPTION UNIVERSITY  
MARTIN DE TOURS SCHOOL OF MANAGEMENT  
DEPARTMENT OF FINANCE AND BANKING  
SEMESTER 1/2010**

**COURSE TITLE : FIN 3711 Investment**

**Martin de Tours School of Management's Vision and Mission**

**Vision:**

To be the leading international business school in the ASEAN region providing high quality business education to enable graduates to make invaluable contributions to organizations and society.

**Mission:**

To shape our students into independent-minded graduates who are well-versed in business, able to communicate effectively, tech savvy, innovative, and ethical to successfully face global challenges.

**PRE-REQUISITE : FIN3701 Corporate Finance**  
**LECTURER : Marisa Laokulrach (office: CL1204, table C3)**  
**Email : [marisa.laokulrach@gmail.com](mailto:marisa.laokulrach@gmail.com)**  
**Handouts Download : [www.aufinance.net](http://www.aufinance.net)**

**COURSE DESCRIPTION**

The course covers the features and trading methods of the securities markets, the analysis of risk and return in the context of formal pricing models such as the Capital Asset Pricing Model and the Arbitrage Pricing Theory. The course also includes basic techniques of securities valuation and management of securities in a portfolio context, analysis of bonds, duration, and convexity, valuation of stocks using models such as discounted cash flow models, P/E multiples, and alternative-pricing models, implication of efficient market theory and anomalies on fundamental and technical analysis, the concept of portfolio diversification and the construction of optimal portfolios such as mean-variance efficient portfolios and the introductions to options and futures markets.

**COURSE OBJECTIVES**

Completing this course, students are expected to

- (1) Achieve a general understanding of the investment process,
- (2) Be familiar with financial markets and the players in the markets,
- (2) Be familiar with goals, practices and problems of investing institutions and individuals,
- (3) Understand and be able to distinguish each level of market efficiency,
- (4) Be able to apply modern techniques to asset allocation and portfolio management,
- (5) Be able to apply valuation techniques to security selection and in making investment recommendations.

**TEXT BOOK**

- **Textbook:** Frank K. Reilly and Edgar A. Norton, Investments, Thomson South-Western, 7<sup>th</sup> Edition, 2006.

**REFERENCES:**

- Zvi Bodie, Alex Kane, and Alan Marcus, Investments, McGraw-Hill Irwin, 7<sup>th</sup> Edition, 2006.
- William F. Sharpe, Gordon J. Alexander, and Jeffrey V. Bailey. Investments. Sixth Edition. Upper Saddle River, N.J.: Prentice Hall, 1999.
- Edwin J. Elton and Martin J. Gruber, Modern Portfolio Theory and Investment Analysis, John Wiley & Sons, 6<sup>th</sup> Edition, 2003.

<b>MARKS ALLOCATION*</b>
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Midterm Exam	30%
Final Exam	45%
Term Paper	13%
Presentation	7%
Participation	<u>5%</u>
Total	<u>100%</u>

**Note:**

- \* see also classroom policies
- \* see also group project's details
- **Students will not be eligible to enter the examination room, hence not eligible to take the examination after the first 10 minutes of the examination regardless of the students' reasons.**

**CLASSROOM POLICIES**

- **Students need to comply with AU Dress Code, Time Conflict Examination Regulations, Laws on Smoking Cigarette, and Restrictions on Foods and Drinks V10.1, June 2010.**
- **Attendance policies:**
  - [2 times of ten-minute late for class considered as 1 absence.](#)
  - Make-up classes are not allowed.
  - 80% attendance is strictly required regardless of any reason.
  - No checking attendance for other classmates. Violation of the policies will result in being automatically withdrawn from the class.
  - [Attendance is counted since the first day of class regardless of any reason.](#)
- **Manner in class:**
  - Behave in a polite manner
  - Pay respect to instructors and class participants
  - Turn off all communication devices
  - Do not leave and re-enter the classroom
  - Prohibited manners: Eating, drinking, chatting, talking on the phone, text-messaging, sleeping, reading other materials, doing other subjects' assignments/homework, walking in-out, etc.
  - [Improper behavior will result in no attendance checked.](#)
- **Dress code:**
  - Follow AU dress code
  - [Improper dress code will result in no attendance checked.](#)
- **Class assignments (Homework, reports, project, presentation, paper, etc.):**
  - [No Plagiarism.](#)
  - The students copying works from all sources will be penalized – “Zero” marks or “F” grade.
  - Hand in all class assignment on time, both soft copy and hard copy.
  - [Late submission will NOT be graded.](#)
- **Class participation:**
  - Be participative and attentive in class
  - The students are also required to comply with all classroom policies.
  - Violation of the classroom policies will result in [“zero” or “negative” participation marks and/or no attendance checked.](#)
- **Request for make-up quizzes (if applicable):**
  - The students requesting for the make-up quizzes need to submit their names with valid evidence (ABAC related issues only) to the respective lecturer within the specified dates.
  - [Late submission will NOT be allowed to take the make-up quizzes.](#)
- **Grade inquiry:**
  - The students can request for a review for their marks or grades.
  - The students need to submit petition to the respective Chairperson at D6 or MSM2 [within 2 weeks](#) after their marks or grades have been officially announced. Petition submitted after the specified period will NOT be considered.
  - **Reevaluation process:** The students' class assignments or exam answer scripts will be reevaluated by the internal committees assigned by the respective department. Please note that the students' marks may or may not be adjusted after the reevaluation process and it is considered as a “final consensus” between the students and the committees.

<b>LECTURE PLAN</b>
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Chapter	Topic (s)	# Period
1	General principle of investments	1
2	Risk and returns <ul style="list-style-type: none"> <li>• Types of returns, Measures of returns, Determinants of returns</li> <li>• Definition of risk, Measures of risk</li> <li>• Relationship between risk and returns (the SML)</li> </ul>	1
6	Securities Markets <ul style="list-style-type: none"> <li>• Organizations of the markets;</li> <li>• Members</li> <li>• Types of orders and transactions</li> </ul>	2
7	Markets Indexes <ul style="list-style-type: none"> <li>• The purposes and uses of Markets Indexes,</li> <li>• Types of Indexes, Calculations of Indexes</li> </ul>	1
8	Background assumptions Markowitz Portfolio Theory (Mean-Variance Portfolio Theory) The characteristics of the investment opportunity set <ul style="list-style-type: none"> <li>• Individual asset return and risk measures</li> <li>• The characteristics of portfolios in general</li> <li>• Portfolio returns and risk measures</li> <li>• The effects of diversification</li> </ul> Efficient portfolios <ul style="list-style-type: none"> <li>• Combinations of two risky assets</li> <li>• The portfolio possibilities curve</li> <li>• The Efficient Frontier and Investor Utility Curve</li> </ul>	2.5
9	Capital Market Theory and background assumptions <ul style="list-style-type: none"> <li>• The CAPM (Capital Asset Pricing Model): Expected Return and Risk</li> </ul>	2.5
10	Capital Market Efficiency <ul style="list-style-type: none"> <li>• Definitions, Levels of markets efficiency</li> <li>• Tests and Results</li> <li>• Implications for investors</li> </ul>	2
<b>Midterm Examination: July 23, 2010 (15:00-17:00)</b>		
11	General principle of valuation <ul style="list-style-type: none"> <li>• Valuation techniques and estimations of the inputs</li> </ul>	2
13	Economic and Industry Analysis <ul style="list-style-type: none"> <li>• Economic growth indicators</li> <li>• Five basic competitive forces</li> <li>• Industrial life cycle and stages</li> </ul>	1
14	Analysis of financial statements <ul style="list-style-type: none"> <li>• Financial ratios</li> <li>• Dupont Analysis</li> </ul>	1
15	Company Analysis and stock valuation <ul style="list-style-type: none"> <li>• Growth company and growth stock</li> <li>• SWOT analysis</li> <li>• Stock valuation and decision</li> </ul>	2
16	Technical Analysis <ul style="list-style-type: none"> <li>• Assumptions</li> <li>• Advantages and Challenges</li> <li>• Trading Rules and Indicators</li> </ul>	2
12	Valuation of Fixed-Income Securities <ul style="list-style-type: none"> <li>• Calculating Bond prices, Bond yields</li> <li>• Calculating Bond price sensitivity to change in bond yield</li> </ul>	2
17	Introduction to Derivative Securities <ul style="list-style-type: none"> <li>• Forward Contracts</li> <li>• Futures Contracts</li> <li>• Options</li> </ul>	2
	<b>Presentation</b>	2
<b>Comprehensive Final Examination: September 29, 2010 (09:00-12:00)</b>		

**Self Study**

## 1. Mutual Funds and other managed investments (Chapter 4, 5)

- What is a mutual fund?
- Types of mutual funds
- The organization and operation of a mutual fund
- Investment policy statements and asset allocation

## 2. Managing Portfolios (Chapter 19, 20, 21)

- Portfolio Construction (Equity-Portfolio vs. Bond-Portfolio)
- Portfolio Management Styles (Passive vs. Active)
- Evaluating Portfolio Performance
  - Selection of benchmarks
  - Evaluation of investment performance

**Group Project**

**Analyst (Fundamental Analysis for Stock Valuation)** \*\*Read Chapter 11, 13, 14, and 15

<b>Topic</b>	<b>Task</b>	<b>Due Date</b>
1.	Front cover: Project 1, Section, Name & ID of members (6 persons)	
2.	Search for information and analyze economic outlook during 2010 – 2011	<b>30 June</b>
3.	Based on economic outlook, analyze an assigned industry	<b>30 July</b>
4.	Analyze an assigned company in the industry, and make recommendations (Buy/Sell) Submit full report + CD	<b>13 September</b>
5.	Presentation	<b>13-16 September</b>

Submit each topic with front cover before **4pm of each due date at CL1204, desk C3**

**Contents of full report**

1. Front cover
2. Economic Analysis
3. Industry Analysis
  - i. Details about an industry and why it should perform well in the given economic outlook
  - ii. In-Depth analysis on that industry
4. Company Analysis
  - i. Qualitative analysis on a company
    - Overview, product lines, customers, risks, SWOT analysis, etc.
  - ii. Quantitative analysis on a company
    - Financial statement and ratio analysis
    - Required rate of return: CAPM, or any other appropriate model
    - Discounted Cash Flows Method and Relative Valuations Technique
5. Recommendations + Conclusion
6. Appendix (economic news, other graphs-tables, past financial statements, company news, etc.)
7. References (books, websites)

**August 27, 2010: Last day to withdraw with “W”  
(Withdrawing after this date, the students need a chairperson’s approval.)**