

Finance
Course Number: 29:390:315
Course Title: Investments

COURSE DESCRIPTION

This course serves as a theoretical introduction to investments. We will cover major issues currently of concern to all investors including the financial environment, security valuation, different asset classes, and modern portfolio theory. This course attempt to strip away unnecessary mathematical and technical detail and concentrate on the central common themes that security markets are nearly efficient and the risk-return trade-off. This course covers basic investment theories as well as real-world examples to emphasize problem-solving skills based on a good understanding of the business environment.

COURSE MATERIALS

Required textbooks:

- Bodie, Kane & Marcus. Investments (11th edition)

Recommended:

Business publications such as [*The Wall Street Journal*](#) and [*Financial Times*](#).

LEARNING GOALS AND OBJECTIVES

On completion of this subject, students

- Will be able to apply a best practice framework for financial decision-making in the areas of asset valuation and allocation;
- Will be able to read the financial press with confidence;
- Will also be able to assess watershed current issues and debates covered by both the popular media and more-specialized finance journals.

Students develop these skills and knowledge through the following course activities, course assignments and a final exam.

PREREQUISITES

Preliminary algebra and arithmetic knowledge are needed for this course, but calculus is not required. You need to be able to pick up a statistics introductory textbook, for reading up essential knowledge if you happened to have missed or forgotten some.

Mathematics:	<ul style="list-style-type: none">- Finance uses a lot of arithmetic, because the questions are often about dollars and cents.- Mathematical sophistication does not help. There is no higher math in this course: 99.9% of what we do is 10th-grade high school level. The remaining 0.1% is a few logarithms, and perhaps one or two derivatives. (There are no integrals, no linear algebra, vectors, and matrices, much less real algebra.)- Mathematical aptitude does help, and tremendously so. The reason is that it makes working with numbers and formulas easier. If you have little mathematical aptitude, you have to work three times as hard. With good attitude and work, everyone can do well. Without it, you will fail.
Statistics:	<ul style="list-style-type: none">- Means and variances.- Basic covariances, correlations, line-fitting (linear regression).
Economics:	<ul style="list-style-type: none">- Preferences. Demand and Supply.- Incremental (Marginal) Analysis.- Economic Rents. (Zero Competitive Rents.)
Computers:	<ul style="list-style-type: none">- Very basic use of Excel.- Web access. (Course website and <i>Yahoo!Finance</i>.)

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>)

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

ATTENDANCE AND PREPARATION POLICY

- Expect me to attend all class sessions. I expect the same of you. If I am to be absent, my department chair or I will send you notice via email and Canvas as far in advance as possible. If you are to be absent, report your absence in advance via email. If your absence is due to religious observance, a

Rutgers-approved activity, illness, or family emergency/death, please send me an email with full details and supporting documentation within 3 days of your first absence. For job interviews students can also be excused.

- Each student should sign in to show their attendance.
 - For weather emergencies, consult the campus home page. If the campus is open, class will be held.
 - Expect me to arrive on time for each class session. I expect the same of you. If you are going to be tardy, then your grade will be penalized.
 - Expect me to remain for the entirety of each class session. I expect the same of you. If you are going to leave early, then you will be counted as absent, unless you have a good excuse and tell me in advance.
 - Expect me to prepare properly for each class session. I expect the same of you. Complete all background reading and assignments. You cannot learn if you are not prepared. The minimum expectation is that for each class, you have prepared by studying for at least twice as many hours.
 - Expect me to participate fully in each class session. I expect the same of you. Stay focused and involved. You cannot learn if you are not paying attention.
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CLASSROOM CONDUCT

- You are encouraged to bring your calculator and laptop to class.
 - Raise your hand if you have a question.
 - No food or drinks.
 - No side conversations.
 - Do not use cell phones or laptops to perform activities that are not related to class materials.
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EXAM DATES AND POLICIES

There are two midterms and a final exam in this course.

During exams, the following rules apply:

- Close book.
- You can bring one page of cheat sheet, in US letter size, both sides.
- You cannot talk to other students in the class during the exam. It should be noted that the amount of material covered in the exams will not allow you to talk to someone else.
- If you have a disability that influences testing procedures, provide me an official letter from the Office of Disability Services at the start of the semester.
- No cell phones or other electronics are allowed in the testing room. Calculators are allowed.
- You must show a valid Rutgers photo ID to enter the room and to turn in the exam.
- Alternate seating; do not sit next to another student or in your usual seat.
- Use the bathroom prior to the exam start; bathroom breaks, if essential, will be escorted. - Your exam will not be accepted unless you sign the Honor Pledge.

Make-up exam policy:

- Allowances for make-up exams: “make-up” exams are allowed only for those students whose absence on a class exam date was due to a legitimate illness or emergency (i.e., circumstances beyond their control). Department Coordinator Office ultimately determines what does or does not constitute a “legitimate” illness/emergency.
- Procedures for obtaining authorization to take a make-up exam: If your absence is due to illness, the Department Coordinator Office will require you to provide them with a document from your doctor indicating that you were indeed sick that day. If you do not provide the Department Coordinator Office with a doctor's note, they cannot in turn provide me with the proper authorization to allow a make-up exam.

GRADING POLICY

Attendance will be taken in selected classes. 2 points will be deducted from your overall grade for each unexcused leave.

There will be one homework assignment each week (except the week before the final exam), issued on () after class. Please submit each assignment online by the due date. All individual homework assignments are to be completed on your own. Should a student copy the homework of another student, both of them will be half graded. Should a student be found plagiarizing, he or she will get a zero grade for this assignment.

All homework assignments and exams will be graded individually. To calculate your final grade, a weighted average of individual grades will be taken according to the following weights.

15% Class Participation

30% Assignments

30% Midterm (the higher of the two)

25% Final Exam

You have my promise that I will not curve downward the class so that my grading adheres to the above policy, but it also means that my upward curve, if needed, will reflect the above policy. For your information, this is my grading scale:

88-100	A
82-87	B+
75-81	B
69-74	C+
55-68	C
50-54	D
<50	F

Regrade requests: your final grade is not subject to negotiation. If you feel I have made an error, submit your written argument to me within one week of receiving your final grade. Clarify the precise error I made and provide all due supporting documentation. If I have made an error, I will gladly correct it. But I will adjust grades only if I have made an error. I cannot and will not adjust grades based on consequences, such as hurt pride, lost scholarships, lost tuition reimbursement, lost job opportunities, or dismissals. Do not ask me to do so. It is dishonest to attempt to influence faculty in an effort to obtain a grade that you did not earn, and it will not work.

COURSE SCHEDULE

(* marks chapters that might be skipped this semester)

PART ONE: INTRODUCTION

Chapter 1: the investment environment

Chapter 2: asset classes and financial instruments

Chapter 3: how securities are traded

*Chapter 4: mutual funds and other investment companies

PART TWO: ASSET CLASSES AND SECURITY VALUATION

Chapter 14: bond prices and yields

Chapter 15: the term structure of interest rates

*Chapter 16: managing bond portfolios

Midterm I

Chapter 17: macroeconomic and industry analysis

Chapter 18: equity valuation models

Chapter 19: financial statement analysis

Chapter 20: option markets – introduction

*Chapter 21: option valuation

Chapter 22: future markets

*Chapter 23: futures, swaps, and risk management

Midterm II

PART THREE: MODERN PORTFOLIO THEORY

Chapter 5: risk, return, and the historical record

Chapter 6: capital allocation to risky assets

Chapter 7: optimal risky portfolios

*Chapter 8: index models

Chapter 9: the capital asset pricing model

Chapter 10: arbitrage pricing theory and multifactor models of risk and return

Chapter 11: the efficient market hypothesis

Chapter 12: behavioral finance and technical analysis

*Chapter 13: empirical evidence on security returns

Final exam

*PART FOUR: APPLIED PORTFOLIO MANAGEMENT

Chapter 24: portfolio performance evaluation

Chapter 25: international diversification

Chapter 26: hedge funds

Chapter 27: the theory of active portfolio management

Chapter 28: investment policy and the framework of the CFA institute

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7 . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu>.

If you are a military *veteran* or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of *mental health* services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of *physical health* services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of *legal* services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to *English as a second language (ESL)* should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.rutgers.edu]

If you are in need of additional *academic assistance*, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>]

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]