

Investments 447 Syllabus

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Summer 2008 Web Course
Linfield College
Business Department
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Text: *Practical Investment Management*, fourth edition, Robert A. Strong, Thomson Southwestern.

I. Aim

This course has been designed to provide the undergraduate participant with an overall understanding of the concept of Investment management. It is hoped that participation in this class will prepare students to understand and evaluate investment options in an ever changing global environment. This class can benefit you greatly in how you think and act in the real world of money.

The major emphasis is placed on the development and application of the basic technique in managing financial assets.

The student will be responsible for all material in the text, lectures, and outside assignments, all quizzes and assigned problems included. A fantasy portfolio assignment will be a major part of the class and your grade.

II Objectives:

- A. Develop and Manage a real life Investment Portfolio
 - 1. Understand systemic functions
 - 2. Understand market mechanics
 - 3. Understand market actions
 - a.) Fundamental.
 - b.) Technical
 - c.) Cyclical
 - d.) Sector
 - e.) Momentum

B. Understand the conceptual function of the market and its interaction with the individual

- 1.) The confirmed action curve
- 2.) The diaper theory
- 3.) Hierocracy of human behavior

II. On completion of this subject the candidate will be able to:

A. Demonstrate a knowledge of the general commercial and economic environment.

B. Demonstrate working knowledge of marketing environment.

C. Demonstrate a knowledge of the characteristics of specialist investment assets and the markets in such assets.

D. Demonstrate the ability to connect all of the environmental function together in arriving at functional investments decisions.

- currencies
- private equity
- hedge funds
- commodities and commodity funds
- alternative financial instruments available for short-term lending and borrowing
- corporate debt and credit derivatives
- swaps, options and forwards
- private debt
- securitization

III Demonstrate knowledge of the influences over the commercial and economic environment from Central Banks, the main investor classes and Government policy.

IV Describe how asset modeling can be used to project the main features of the behavior of market price levels and total return.

V Demonstrate knowledge and understanding of the theory of finance.

- Demonstrate an understanding of the relationship between finance and the real resources and objectives of an organization.

- Discuss the relationship between the stakeholders in an organisation (including lenders and investors).

- Outline the theory of the maximization of shareholder wealth.

- Discuss the relationship between financial management and entrepreneurialism.

- Outline the possible motives for mergers and divestitures.

- Discuss the key findings in behavioral finance.

- Outline the main steps involved in financial planning.

VI Demonstrate a knowledge of the principles underlying the legislative and regulatory framework for investment and finance.

- trust law
- taxation
- takeover rules
- corporate governance
- role of the listings authority
- environmental and ethical issues
- competition and fair trading controls
- monopolies regulators
- investment restrictions in investment agreements
- provision of financial services
- institutional investment practices
- development of international accounting standards
- BIS banking capitalization rules
- role and responsibilities of directors

VII Specify the problems which may arise. Discuss the principles and objectives of finance providers and analyse the investment needs of a lender.

- introduction to credit risk
- introduction to agency theory
- introduction to counterparty risk
- security of assets
- introduction to liquidity risk
- introduction to concentration risk

VIII Discuss the issues in establishing the target rate of return for an investment including:

- the assumptions and limitations in the use of the weighted average cost of capital
- the allowance for leverage
- the allowance for risk
- the allowance for regulation, and
- the allowance for taxation

IX Develop solutions to the problems specified in VII

A. Discuss the different methods for the valuation of individual investments and demonstrate an understanding of their appropriateness in different situations.

- fixed income analytics and valuation (including interest rate swaps and futures)
- arbitrage pricing and the concept of hedging
- empirical characteristics of asset prices
- introduction into fixed income option pricing
- evaluation of a credit derivative

B. Show how actuarial techniques may be used to develop an appropriate investment strategy.

- asset pricing models
- asset / liability modeling
- asset / liability mismatch reserving
- credit rating an entity
- liability hedging
- co-integration
- dynamic liability benchmarks

C. Demonstrate a knowledge and understanding of the principal techniques in portfolio management including risk control techniques.

- management structure and styles (value, growth, momentum, rotational, and passive)
- measurement, comparison and attribution of risk (including extreme value theory, statistical distributions)
- portfolio construction with attention to Value at Risk, tracking error versus benchmarks and risk budgets
- transition management and asset allocation techniques (including overlay strategies)
- role of the custodian
- use of swaps, futures and options

D. Demonstrate a knowledge and understanding of the main issues associated with corporate finance:

- capital structure and the cost of capital
- debt financing
- dividend policy
- mergers and acquisitions
- the processes of cash and treasury management.
- capital project appraisal

E. Monitor the experience and demonstrate how the analysis of experience can be used to feed back into the control cycle.

F. Analyze the performance of an investment and discuss the limitations of such measurement techniques.

- portfolio risk and return analysis
- equity price
- net present value
- net asset value
- risk-adjusted return on capital

GRADES will be determined as follows:

- 5% Individual introduction and self analogy
- 30% Chapter Problems and Quizzes.
- 30% Fantasy Portfolio
- 15% Mid-Term

15% Final

5% Instructor evaluation

Students are expected to stay current, as all late assignments are subject to mark down.

If you like MONEY this class should be fun and one of the most valuable tools you will receive as an undergraduate.

Good Luck!!!