

# FINE 441 - Investment Management

## Summer 2022 Course Outline

April 29, 2022

- **Step 1:** Read this document **very carefully**, think of it as a contract.
- **Step 2:** Check MyCourses and e-mails for update

### I CONTACT INFORMATION

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Office hours            By appointment

Sessions will take place on Mondays and Wednesdays from 6:05pm to 8:55 pm at Bronfman 360. I will also make lecture recordings available to help you prepare for the exam. Some sessions might be moved online under the circumstances in which the instructor needs to travel.

### II COURSE DESCRIPTION

This course aims at providing you with a structured framework to make investment decisions and getting you equipped with enough knowledge of some fundamental concepts for more advanced specialized courses (derivatives, fixed income). To become a good investment manager requires a solid understanding of (i) the mechanics of financial markets, (ii) people's investment objectives, and (iii) characteristics of the various investment opportunities. In the first part of the course, we will study the theoretical framework that is built on three pillars:

portfolio theory, asset pricing and market efficiency. In the second part of the course, we will explore in detail the characteristics of two major asset classes: equity and bond.

You will be able to use a scientific approach to make investment decisions and have enough understanding of financial markets and various asset classes. **My objective is not to make you memorize formulas** but to help you understand how to analyze complex real-world problems using a structured framework. We will break down the financial world into key components and study each effect in simpler models. These models are built on strong assumptions and you are expected to understand their limitations and avoid pitfalls when applying them in real life decision making.

This course will be intense and time-consuming. **To get a good outcome it is critical that you devote enough time to understanding the material and do a lot of practices.**

### III RECOMMENDED COURSE MATERIALS

1. **Textbook:** Bodie, Kane, Marcus, Perrakis, Ryan, Switzer: "Investments" 8th or 9th Canadian Ed.
2. Lecture notes will be posted the night before each lecture.
3. Optional reading materials on MyCourses. These articles help build a real-world context to apply what we learn in the classroom.
4. Practice problem sets: these problem sets are posted for you to exercise, but they would not be graded.
5. **Excel:** we will use Excel intensively.

The textbook is available at the bookstore. You can also get temporary access to the digital version at [www.vitalsource.com](http://www.vitalsource.com) for a lower fee. Copies of the full textbook are available on reserve at the library.

The textbook is like an "investopedia", use the book as a dictionary, only materials covered in class will be tested. However, **this does not mean that I will only test questions that you have seen in class.** You need to understand the material and be able to apply different tools in a flexible manner.

### IV ASSESSMENT

1. Participation (10%)  
**I expect you to engage actively in class.** By participation I mean asking and answering questions, helping me solve sample problems etc. **To assess participation, there will**

**be quizzes in classes that are not pre-announced starting from the 5<sup>th</sup> class.** Your participation score depends on your response rate to the in-class quizzes.

2. Weekly problem sets (20%). Each week there will be a short Quiz on mycourses consisting of relevant questions from past exams.
3. Group case study (30%) After the 4<sup>th</sup> class, I would assign you into groups of 4 or 5 students. You will work together to develop an active investment strategy for Thomson Asset Management and prepare a 3-page report.
4. Final exam (40%) Final exam will be a 3-hour exam on June 20<sup>th</sup>

**Late assignments will not be accepted.** Any appeal to your grade must be submitted in writing no later than one week after the grades have been announced. A request for a re-grade will result in a full second evaluation of all questions. The new outcome may be higher, the same, or lower than the initial grade.

**Regrading:** If you would like to request a regrade, please keep in mind the following rules:

1. You must provide a written and detailed explanation of why you believe the exam was incorrectly graded
2. I will review the entire exam and the final mark may go up or down.

## V TENTATIVE SCHEDULE

Class	Date	Activity	Due
1	Mon 05/02	A1: Introduction B1: Market Structure	
2	Wed 05/04	B1: Market Structure C1: Modelling Risk & Return	
3	Mon 05/09	C1: Modelling risk & Return C2: Portfolio Selection	PS1
4	Wed 05/11	C2: Portfolio Selection	Add & drop ddl
5	Mon 05/16	C2: Portfolio Selection C3: Asset Pricing	
6	Wed 05/18	C3: Asset Pricing C4: Market efficiency & active management	PS2
7	Mon 05/25	C4: Market efficiency & active management	

8	Mon 05/30	C5: Factor-based Asset Pricing	
9	Wed 06/01	D1: Stocks	PS3
10	Mon 06/06	E1: Bonds	
11	Wed 06/08	E2: Interest Rate Risk	PS4
12	Wed 06/13	E3: The Term Structure of Interest Rates	
13	Wed 06/15	Revision	PS5, Case report
	Mon 06/20	Final Exam	

## VI HONOUR CODE

“McGill University values academic integrity. Therefore, all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures” (see McGill’s guide to academic honesty for more information). (Approved by Senate on 29 January 2003)

I have zero tolerance for cheating. No medical or emergency condition would be considered without written proof.

In accord with McGill University’s Charter of Students’ Rights, students in this course have the right to submit in English or in French any written work that is to be graded. This does not apply to courses in which acquiring proficiency in a language is one of the objectives.

## VII COPYRIGHT

Some students anonymously upload copyrighted course materials on websites such as CourseHero. These students are not only committing something illegal and disrespectful to the authors but they are also sabotaging McGill’s educational value. The course materials are only supposed to be used in the context of this course, sharing them with the public is outright violation of copyright.

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As a matter of fact, I do not recycle past questions, the only way to do well in the exam is to make sure that you really understand the materials.