

<b>Course Title</b>	:	Investment & Portfolio Management
<b>Course Code</b>	:	FIN2300
<b>Recommended Study Year</b>	:	2 or 3
<b>No. of Credits/Term</b>	:	3
<b>Mode of Tuition</b>	:	Sectional Approach
<b>Class Contact Hours</b>	:	3 hours per week
<b>Category in Major Programme</b>	:	Stream Required - Finance Stream Stream Elective – Risk and Insurance Management Stream
<b>Prerequisite</b>	:	BUS2201 Financial Management

### **Brief Course Description**

This course helps students understand the key concepts and principles of investment and portfolio management, which build a solid foundation for career pursuit and further study. The course consists of four main parts. Part One is an overview of the market institution features of the financial market. It introduces the product and trading operations of major financial instruments as well as the market institutions in which they are traded. Part Two covers the foundation of modern portfolio theory. It provides the analytical framework for optimal asset allocation according to the risk and return characteristics of individual securities and the risk preference of investors. Part Three applies the modern portfolio theory from Part Two to develop two theories of equilibrium asset returns, namely Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory (APT) that investment managers can use to value securities, and introduces efficient market hypothesis. Part Four covers security analysis and performance evaluation, including equity valuation and bond portfolio management.

### **Aims**

This course aims to introduce the basic knowledge of various financial securities and market mechanisms to the students, helps students comprehend and apply the core concepts in modern portfolio theory and the techniques in portfolio construction, hedging and performance evaluation.

**Learning Outcomes (LOs)**

On completion of this course, students will be able to:

1. Introduce various securities and the markets they trade in, observe investment regulations and related ethics and professional conduct, and depict the basic features of different financial instruments, including money market instruments, capital market instruments and derivatives (e.g., futures and options)
2. Describe the analytical framework for optimal asset allocation in modern portfolio theory and important concepts in portfolio management such as diversification and efficient frontier
3. Explain risk and return relationship in terms of the Capital Asset Pricing Model (CAPM) and the Arbitrage Pricing Theory (APT) and evaluate the theories and evidence for and against the efficient market hypothesis
4. Evaluate bonds and stocks with discounted cash flow and other models, demonstrate the techniques for bond and stock portfolio management, and compute and interpret various portfolio performance measures

**Indicative Contents**

The Investment Setting

We will cover investment environment, trading aspects of securities, financial markets and instruments, collective investment schemes, regulations, ethics and professional conduct, as well as risk and return in this section.

Derivatives

We will cover futures and options in this section.

Portfolio Theory and Practices

We will cover Markowitz portfolio optimization, portfolio theory, efficient frontier, diversification, the capital market line, the market portfolio, Capital Asset Pricing Model, the security market line, index models, Arbitrage Pricing Theory, and Efficient Market Hypothesis in this section.

Security Analysis

We will cover equity valuation, bond prices and yield, the term structure of interest rates, duration and interest immunization in this section.

Measurements of Portfolio Performance

We will cover the Jensen Index, the Sharpe Index, the Treynor Index, and other performance evaluation methods in this section.

### **Teaching Method**

Concepts and theories will be lectured during class session. Practices and computer-based exercises will be arranged where appropriate. Considerable emphasis will be placed on student participation, group discussion, and problem solving.

### **Measurement of Learning Outcomes**

1. Tests and midterm examination including concepts and computational questions assess students' understanding of core financial concepts and theories that are covered in the lectures. (LO1, LO2)
2. A comprehensive final examination measures the students' understanding of the financial core concepts and theories, and the students' ability to apply the concepts and theories to investment and risk management decisions. (LO1, LO2, LO3, LO4)
3. Term project requires students to identify profitable opportunities, apply investment theories to real-world financial data, analyze business conditions and evaluate the investment strategy. (LO3, LO4)
4. Open-end questions and essay questions assess students' understanding of theories and concepts as well as their ability to articulate the acquired know-how. Workout problems measure students' mastery of financial problem-solving techniques and skills. (LO1, LO2, LO3, LO4)

### **Assessment**

Continuous Assessment: Term project 15%  
The project requires a team of students to work on a real-world stock, analyze firm fundamentals, forecast future stock performance and make investment recommendations as security analysts.

Continuous Assessment: Tests and Midterm Examination 35%  
Tests and Midterm Examination will use conceptual and computational questions to test students' mastery of basic knowledge in investment and portfolio management. Open-end and short essay questions may also be given to test students' ability to articulate understanding of key concepts.

Examination: Final Examination 50%  
Final examination tests will include multiple choice questions, workout problems, short essays, and open-end questions to gauge students' understanding of the key financial concepts and theories, their financial problem-solving skills and their ability to apply the theories to real-world situations.

While computational questions will be used to test students' mastery of skills and tools, sufficient essays and open-end questions will be given to test their interpretation of numerical answers and application of concepts.

**Required/Essential Reading**

Bodie, A., Kane, A. and Marcus, A.J., *Essentials of Investments*, latest edition, McGraw-Hill.

**Recommended/Supplementary Readings**

Elton, Edwin J., Martin J, Gruber, Stephen J. Brown and William N. Goetzmann, *Modern Portfolio Theory and Investment Analysis*, 9<sup>th</sup> ed., John Wiley and Sons, 2013.

Strong, Robert A., *Portfolio, Construction, Management, and Protection*, 5<sup>th</sup> ed., Thomson/South-Western, 2009.

*For current events:* Hong Kong Economic Journal, Hong Kong Economic Times, Asian Wall Street Journal.

**Important Notes**

- (1) Students are expected to spend a total of 7 hours (i.e. 3 hours of class contact and 4 hours of personal study) per week to achieve the course learning outcomes.
- (2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is “the presentation of another person’s work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student’s own work”. Students are required to strictly follow university regulations governing academic integrity and honesty.
- (3) Students are required to submit writing assignment(s) using Turnitin.
- (4) To enhance students’ understanding of plagiarism, a mini-course “Online Tutorial on Plagiarism Awareness” is available on <https://pla.ln.edu.hk/>.