

GEORGIA INSTITUTE OF TECHNOLOGY
College of Management
Investments (MGT 3076)
Fall, 2009

Instructor: Qinghai Wang

Office: 412 Management

Phone: 404-385-3266

E-mail: qinghai.wang@mgt.gatech.edu

Class: 1:35pm - 2:55pm (Tu/Th, Room: 201 Management)

Office Hours: 3:00pm - 4:30pm (Tu/Th), or by appointment

1. Course Prerequisites

MGT 3062 or equivalent.

2. Course Objectives

This course is designed to provide a basic understanding of the investment process and to develop a set of tools for making investment decisions. While the course is designed to offer a broad overview of investment issues, it will focus on the concepts of risk and return, portfolio diversification, asset allocation, theory of efficient market, and valuation of financial securities. Investment decision-making skills will be developed through problem assignments, investment project assignments, classroom lectures, and discussions. The ideas in this course are some of the most important in finance and require that you really work hard to understand the material. There are some courses where common sense and a few midnight cram sessions will get you a decent grade. This is not such a course.

3. Course Resources

(1) Textbook (required): Bodie, Kane and Marcus (BKM), Essentials of Investments, 7th edition.

(2) Course Material (Lecture Notes, Homework, Sample Exam, etc.): Available on T-Square.

(3) Recommended Reading:

a. Wall Street Journal or other financial newspapers;

b. Malkiel, Burton, "A Random Walk Down Wall Street", W. W. Norton &Co, 2004 or earlier editions.

4. Exams and Grading

Your grade in this course will be determined by your class participation, homework assignments, a term project, and three exams, which will be weighed as follows:

Class Participation	5%
Exam 1	25%
Exam 2	25%
Exam 2	25%
Homework/Trading Simulation	25%

Exams will cover material from lectures, assigned readings, and homework. Students are allowed to bring a formula sheet and a calculator to the exam. Grades are based on absolute scale: A (≥ 90), B (≥ 80), C (≥ 70), D (≥ 60), and F.

5. Attendance and Class Participation

Students are evaluated on the basis of their contribution to lecture discussions, problem analysis, and the reports of stock trading simulation. Class attendance is encouraged and expected. Missing classes, routinely showing up late for class or leaving early will affect both the class participation grade and the final grade. When final grades are determined, I will examine the “near misses” where students were very close to the next higher grade. In those cases where the student has made substantial contributions in class during the semester, I will add a few “bonus” points.

6. Lectures

Lecture notes will be posted on T-Square before each class. The notes provide outline of the class discussions and additional details on some selected topics. The lecture notes only provide limited coverage on topics covered in the class, so they are not a substitute for attending classes. Class lectures will go beyond the scope of the textbook for certain topics. You are also responsible for all announcements made in class - check with your colleagues if you miss class. Class lectures will sometimes involve working through problems. Thus, you should bring a calculator to class so that you may work on problems and participate in class discussions.

7. Practice Questions and Sample Exams

I will provide a list of problems for each chapter that highlight the important concepts. Although these problems will not be collected, it is strongly recommended that they be done to solidify your understanding of the material (Incentive: at least 20% of the problems in the exams will be taken directly from assigned practice questions). Please resist the temptation to look at the solutions before you have worked the problems on your own. You will learn a lot more if you work on the problem first, then compare your solution with the one from the instructor's manual (posted on T-Square). You are encouraged to work in groups as some questions may be lengthy. I will also provide a sample exam one week before the first exam on T-Square.

8. Exams

Exams will cover material from lectures, assigned readings, assigned practice problems, and the homework. Each exam consists of two types of questions: short answer questions (concept based essay and computation questions), and comprehensive questions (questions with multiple computation and essay sections).

9. Trading Simulation/Homework/Guest Lectures

Details for this assignment will be handed out in class. (See Appendix in this Syllabus for information)

10. Honor Code

It is your responsibility to familiarize yourself with the Georgia Tech Honor Code. Students are expected to follow the Honor Code. Please ask the professor if you need any clarifications on this. Violations of the code will be reported.

Class Schedule: Subject to change.

- Week 1 - Introduction and Overview of Investments (Chapter 1)
- Week 2 - Securities Markets and Trading (Chapter 2-3)
- Week 3 - Risks and Returns: Concepts and Evidence (Chapter 5)
– Homework 1 will be distributed
- Week 4 - Risks and Returns: Asset Allocation and Diversification (Chapter 6)
- Week 5 - Asset Pricing Models (Chapter 7)
- Week 6 - Asset Pricing Models, **Exam 1 (Sep 24)**
- Week 7 - Market Efficiency and Behavioral Finance (Chapter 8, 9)
- Week 8 - Money Managing Industry and Investment Management (Chapter 4, 18)
- Week 9 - Performance Evaluation (Chapter 18, 21)
– Homework 2 will be distributed
- Week 10 - Investors and Investment Strategies (Chapter 21, 20, 18)
- Week 11 - Equity Valuation and Security Analysis (Chapter 12, 13, 14)
- Week 12 - Equity Valuation, **Exam 2 (Nov 5)**. – Homework 3 will be distributed
- Week 13 - Fixed Income: Pricing (Chapter 10).
- Week 14 - Fixed Income: Investment Analysis (Chapter 11).
- Week 15 - Derivative Market (Chapter 15-17).
- Week 16 - Derivative Market (Chapter 15-17).
- Exam 3, Finals Week (**Dec 11th (Friday) 11:00 - 2:20**)

Home Work/Trading Simulation

Homework:

Three sets of homework will be completed using information I provide to you (returns on stocks, mutual funds, etc.). These projects involve analyzing data for actual stocks/funds, so they are naturally more involved than textbook problems. The first two projects require specific calculations, and are designed to give you a chance to get your hands dirty with real data. The third project involves much more judgment and does not have a clearly correct/wrong solution. Detailed guidelines will be distributed later in class.

Trading Simulation/Guest Lectures

We will have an investment simulation game (free) throughout the semester. Rules of the game will be explained later. We may also have guest speakers from the industry in the later part of the semester. The portfolio simulation and investment project will account for 25% of your overall grade (5 point each for the three homework, 10 point for the trading simulation). Class participation is 5%.