



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 330 H1 F

Investments

Fall 2014

Course Meets: L0101, Wednesday 10am-12pm at WO 35
L0201, Wednesday 1pm-3pm at WO 35
L5101, Wednesday 5pm-7pm at WO 35

Instructor: Professor Bing Han
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There will be TA drop-in hours before each exam
Tutorials: Weekly tutorials, details to be announced

Course Scope and Mission

RSM 330H1 is an investment course providing students a basis for making investment decisions. The course is intended for students who want to become investment professionals, knowledgeable individual investors, or both. The course will focus on understanding the economic intuitions behind fundamental principles such as risk and return trade-off, market efficiency, risk management, as well as their applications in asset allocation, return anomalies, portfolio trading strategies, fundamental analysis and technical trading in stocks, valuation of fixed income securities and bond portfolio management. Investment and trading decision-making skills will be developed through classroom lectures, discussions, problem assignments, and simulated portfolio management. Wherever appropriate, this course will incorporate the latest research in the Behavioral Finance to help students understand psychological biases and social influences in investment decision-making and market anomalies. Finally, this course will strive to afford you a global perspective on financial markets and investing.

Course Prerequisites

RSM230H1

Co-requisite: ECO220Y1 / ECO227H1 / (STA220H1, STA255H1) / (STA257H1, STA261H1). *If you drop any of these co-requisite courses during the academic term, you must also drop this course. Contact Rotman Commerce Academic Program Services for academic advising if needed.*

Course Exclusions

ACT349H1

Required Readings

Z. Bodie, A. Kane, A. Marcus, S. Perrakis, and P. Ryan, *Investments*, Irwin, 7th Canadian Edition. Publication Date: Mar 15, 2011 | ISBN-10: 0070071705 | ISBN-13: 978-0070071704

Recommended Readings

Wall Street Journal, Financial Times, business section of the Globe and Mail. A selection of investment books, financial blogs and other required/optional readings related to topics covered in class will be posted on Blackboard (<http://portal.utoronto.ca>)

Supplementary Textbooks

Cleary and Jones, *Investments, Analysis and Management*, Wiley, 3rd Canadian edition, 2009 (A very readable text which references CFA exam materials)

Booth and Cleary, *Introduction to Corporate Finance*, (2nd ed) John Wiley & Sons, 2010. (This is the textbook for RSM 332)

Instructor

Professor Bing Han holds a Ph.D. in Mathematics from the University of Chicago and a Ph.D. in Finance from UCLA. His research focuses on asset pricing and behavioral finance. He has taught both undergraduate and graduate students at the University of Chicago, Ohio State University, Chinese University of Hong Kong, Shanghai Jiaotong University and University of Texas at Austin. He has also worked for J.P. Morgan, and served on the advisory board of a multi-billion hedge fund.

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

<u>Work</u>		<u>Due Date</u>
Class Participation/Attendance	5%	Ongoing
Weekly Homework	10%	Ongoing
Mid Term Exam	25%	Oct 22, in class
Project	15%	Dec 2, 4pm at Rotman Commerce Office
Final Exam	45%	During Faculty of Arts & Science Final Examination period

The midterm exam is a required test (one and a half hour). There will be **no make-up midterm exam under any circumstances**. The final exam will be comprehensive, covering all the materials discussed in class, assigned readings and homework exercises. Exams will strive to test comprehension and not merely memorization skills.

Before the Nov 3 drop date, the mark for midterm will be available.

All students are expected to attend and actively participate in class. Be prepared for cold calling. Students who voluntarily ask/answer questions in class should email the instructor to earn extra participation credit. If your overall score is within one point of a cutoff and you have earned enough extra participation credit, you will be bumped up to receive the higher grade.

Homework

Homework will be assigned in each class and collected for grading at the beginning of the next class. Solutions for homework assignments will be posted on Blackboard after due dates. Each

person has to turn in homework individually, although you are free to discuss homework problems with your classmates. Doing weekly homework problems is an important step in preparing for the exams.

Project

The goal of this project is for students to get hands-on experience in applying concepts learned in this course to the management of a portfolio. Students will use the resources of the Rotman Financial Research and Trading Lab, as well as other sources of information, to research, explore and implement investment strategies, and report on their findings. There are two parts to your written report, one is quantitative and the other is qualitative. For the most part, the project is quite flexible, leaving room for creative groups to excel. Further information about the project will be provided in class and posted on the portal.

The project is done in groups. The maximum number allowed for any group is five students and the minimum number is two. **You are responsible for forming or joining a group before September 17, 2014.** By this date, one member of each group shall email Cecelia Sun Cacecelia.sun@mail.utoronto.ca the composition of your group, with your name and session (L0101 or L0201 or L5101) in the subject of your email.

Please be generous to share your talents with your group members. On the other hand, do not "freeride" on others.

Only one copy of the write-up should be submitted for each group. Every member of the group will receive the same mark on the assignment. Please do not hand in unedited computer outputs. Instead, present carefully-edited results. Clarity and conciseness in presenting your analysis and conclusions will be rewarded. Your portfolio and trading performance does not affect the grade of your project report.

Continuous Feedback

I encourage you to provide feedback about the course, my teaching and anything else that would help you learn the course material better. You should feel free come and talk to me in person if you have any concerns and/or suggestions. You can also send me an anonymous email from a class email account that I have created at www.mail.google.com. **Login: hanbingut, Password: "feedbackwelcome"**.

COURSE FORMAT AND EXPECTATIONS

Written Work:

Please note that clear, concise, and correct writing will be considered in the evaluation of homework assignments and your project report. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (www.asc.utoronto.ca) or one of the College Writing Centres (www.writing.utoronto.ca/writing-centres). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

Group Work:

Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students and you are therefore reminded of the following expectations with respect to behaviour and contributions to your team project.

1. Read the document entitled, “Working in Teams: Guidelines for Rotman Commerce Students” which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

3. Resolving conflicts:

Conflicts are part of the team’s process of learning how to work together effectively and when handled well can generate creativity and bring-multiple perspectives to the solution.

Student teams are collectively expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). In cases where teams are unable to arrive at a solution that works for all members, the team must meet with the Rotman Commerce Team Coach** as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

** For an appointment with a Rotman Commerce Team Coach, please contact Nikoleta Vlamis at nikoleta@nikoletaandassociates.com or Elaine Zapotoczny at elaine@nikoletaandassociates.com. Nikoleta and Elaine are highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach’s role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

Weekly Schedule

Session	Date	Topic	Readings
1	Sep 10	Review of Financial Instruments and Trading; Overview of Investment Process, Key Concepts, and Recent Trends	Class Note (Lecture1.pdf, Lecture2.pdf) Bodie: Ch 1 & 2 Rotman Portfolio Manager (RPM) Quick Start Guide
2	Sep 17	Short Sales & Buy on Margin Introduction to RPM and Databases	Lecture3.pdf, trading example.ppt Bodie: Ch 3
3	Sep 24	Mutual Funds and Hedge Funds; Investment Strategies	Class Note Bodie: Ch 22
4	Oct 1	Equity Risk Premium; Diversification	Class Note Bodie: Ch 4 & 5
5	Oct 8	Optimal Risky Portfolio	Class Note Bodie: Ch 6
6	Oct 15	CAPM & Multi-factor Models Risk Adjustments, Alpha & Beta	Class Note Bodie: Ch 7 & 8
7	Oct 22	Mid Term Exam No regular class	Closed Book Exam
8	Oct 29	Market Efficiency and Anomalies Behavioral Finance (I)	Class Note Bodie: Ch 9 & 11
9	Nov 5	Behavioral Finance (II) Technical Analysis	Class Note Bodie: Ch 10
10	Nov 12	Fundamental Analysis of Equities	Class Note Bodie: Ch 15
11	Nov 19	Bonds Term Structure of Interest Rates	Class Note Bodie: Ch 12 & 13
12	Nov 26	Interest Rate Risk, Duration and Bond Portfolio Management	Class Note Bodie: Ch 14
Final Exam	TBA by FAS	Date, time & location TBA	The final exam is cumulative and will cover all course material

POLICY AND PROCEDURE

Missed Tests and Assignments (including midterm examinations)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.

Students who miss the mid-term exam for a reason that has been approved by Rotman Commerce will have grades reallocated to their final exam.

Late Assignments and Projects will not be accepted under any circumstances.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: disability.services@utoronto.ca or <http://www.accessibility.utoronto.ca/>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.

- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Blackboard and the Course Page

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at www.portalinfo.utoronto.ca/students and review the Frequently Asked Questions.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Blackboard materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

Classroom Professionalism Policy

The highest professional standards are expected of all Rotman Commerce students. The collective class reputation and the value of the Rotman experience hinges on this.

The classroom experience is enhanced when:

- **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions. Should you have to leave class early, please have the courtesy of letting the instructor know before the beginning of the period and leave quietly so as not to disturb the other members of the class.
- **Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- **Laptops should be used only for taking notes.** When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged.
- **Phones and wireless devices are turned off.** We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.