



# Rotman Commerce UNIVERSITY OF TORONTO

## Course Outline

**RSM 330H1S** Investments Winter 2019

Course Meets at Woodsworth College Residence (WO, 125 St. George Street)

L0101, Friday 10am-12pm at WO25

L0201, Friday 1pm-3pm at WO35

L0301, Friday 3pm-5pm at WO35

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Instructor: Professor Bing Han  
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Webpage: <https://q.utoronto.ca/>  
Phone: 416-946-0732  
Office Hours: Thursday 10am-12am

Teaching Assistants: TBA

Tutorials: TBA  
There will additional drop-in hours before exams

### 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 fundamental principles such as risk and return trade-off, market efficiency, as well as money management industry (e.g. mutual funds and hedge funds), asset pricing models, investment strategies designed to exploit market inefficiency, modern techniques for optimal portfolio selection, fundamental and technical analysis in stocks, term structure of interest rates and bond portfolio management. Investment decision-making skills will be developed through classroom lectures, discussions, assignments, and simulated portfolio management. Wherever appropriate, this course will incorporate the latest research in the Behavioral Finance to help students understand influences of psychological biases in investment. Finally, this course will strive to afford you a global perspective on financial markets and introduce the new factor approach to investing.

## Course Prerequisites

Prerequisite: RSM230H1, RSM332H1\* (\*Note that RSM332H1 is a pre-requisite for students September 2016 and onwards)

**Co-requisite:** ECO220Y1/ECO227Y1/(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, 8th Canadian Edition. Publication Date: July 29, 2014 | ISBN-10: 007133887X| ISBN-13: 978-0071338875

This textbook is consistent with and relevant to the CFA curriculum, including end-of-chapter problems from past CFA exams.

## 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 Quercus <https://q.utoronto.ca>

## 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 investment, asset pricing and behavioral finance. He has previously taught both undergraduate and graduate courses at the University of Chicago, Ohio State 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%	February 15
Project	10%	April 5
Final Exam	50%	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 March 17, 2019 drop date, the mark for midterm will be available. **A formal written request for re-grading should be submitted to the instructor within 2 days after the**

**midterm mark is announced.** The whole test will be reviewed during the re-grading and may result in a lower mark overall.

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

### **Individual Homework**

Homework sets and solutions will be posted on the Quercus <https://q.utoronto.ca>. Each student is required to turn in homework individually and upload via Quercus for grading. Doing homework problems is an important step in preparing for the exams.

### **Group Investment 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 three students and the minimum number is two. **You are responsible for forming or joining a group before January 21, 2019.** By this date, one member of each group shall email the composition of your group to with your full name, student ID and session number (e.g., L0101) to Mr. Rasib Bhanji

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.

## **COURSE FORMAT AND EXPECTATIONS**

### **Written Assignments:**

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 Academic Success Centre (<http://www.studentlife.utoronto.ca/asc>) or one of the College Writing Centres ([www.writing.utoronto.ca/writing-centres](http://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; to work well in teams, it helps to follow a set of core expectations to best succeed at your team projects.

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. When handled well, it can generate creativity and bring-multiple perspectives to the solution.

Student teams are expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). When 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 Nouman Ashraf at [nouman.ashraf@rotman.utoronto.ca](mailto:nouman.ashraf@rotman.utoronto.ca) Nouman is 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	Jan 11	Introduction to Investments And Financial Options	<b>Class Note</b> <b>Bodie: Ch 1, 2, 18 &amp; 19</b>
2	Jan 18	RPM and Databases Trading, Margin & Short Sales	<b>Class Note</b> <b>Bodie: Ch 3</b>
3	Jan 25	Mutual Funds and Hedge Funds Strategies	<b>Class Note</b> <b>Bodie: Ch 21 &amp; 23</b>
4	Feb 1	Equity Premium and Portfolio Theory	<b>Class Note</b> <b>Bodie: Ch 4, 5 &amp; 6</b>
5	Feb 8	CAPM and Arbitrage Pricing Models	<b>Class Note</b> <b>Bodie: Ch 7 &amp; 8</b>
6	Feb 15	<b>Mid Term Exam</b>	Closed-book
7	Mar 1	Factor Investing	<b>Class Note</b>
8	Mar 8	Market Efficiency and Anomalies	<b>Class Note</b> <b>Bodie: Ch 9 &amp; 11</b>
9	Mar 15	Behavioral Finance	<b>Class Note</b> <b>Bodie: Ch 10</b>
10	Mar 22	Stock Valuation and Technical Analysis	<b>Class Note</b> <b>Bodie: Ch 10 &amp; 16</b>
11	Mar 29	Bond Valuation and Term Structure of Interest Rates	<b>Class Note</b> <b>Bodie: Ch 12 &amp; 13</b>
12	Apr 5	Interest Rate Risk and Bond Portfolio Management	<b>Class Note</b> <b>Bodie: Ch 14</b>
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. The Request for Special Consideration Form and supporting documentation must be submitted in a timely manner in order for the request to be reviewed.

In such cases, students must notify the Rotman Commerce Program Office on the date of the course deliverable such as a missed test, or assignment missed class (in the case of participation marks), or due date. They must then complete a [Request for Special Consideration Form](#) and submit it along with supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Office within **2 business days** of the originally scheduled course deliverable. Students who do not provide appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed course deliverable.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted.

**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 later report of illness made by the student to a 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: [accessibility.services@utoronto.ca](mailto:accessibility.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.

### **Quercus and the Course Page**

The online course page for this course is accessed through Quercus. To access the course page, go to [g.utoronto.ca](http://g.utoronto.ca) and log in using your UTORid and password. Once you have logged in, you will be at the Quercus Dashboard. On this page you will see all of the courses you are presently enrolled in. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours.

### **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.