

Financial Investments

Academic Year: 2017 / 2018

Term: 1st Semester

Instructor(s): Joni Kokkonen

Course Description:

This is a course in the Master of Science program covering topics related to financial investments and portfolio management. The course covers the basics of fixed income instruments, equity valuation, portfolio theory, asset pricing theory, the risk-return trade off, market efficiency, and measuring risk-adjusted performance.

The goal of this class is to provide the students with a structure for thinking about investment theory and show them how to address investment problems in a systematic manner.

Case studies and exercises are used to apply these concepts and methods to practical problems.

Course objectives and learning goals:

After taking the course, the student should

- Understand the pricing and risks of fixed income instruments (coupon bonds, money market instruments etc.)
- Understand the ideas and techniques underlying portfolio optimization
- Be familiar with the trade-off between risk and return
- Understand basic models of asset pricing (CAPM, APT, and other factor models)
- Understand what does market efficiency mean (and what it does not mean)

Prerequisites:

Knowledge of the topics at the level of the undergraduate courses at Católica is assumed.

Course Content:

Tentative structure of the course (subject to change):

1. Introduction to the course and an overview of the financial markets
2. Fixed income securities I
3. Fixed income securities II
4. Risk, return, and asset allocation I
5. Risk, return, and asset allocation II
6. Asset pricing theory I
7. Asset pricing theory II
8. Performance evaluation
9. Active portfolio management
10. Behavioral finance and limits to arbitrage
11. Alternative investments
12. Presentations of group project

Grading:

Exam: 60%, Online quizzes: 20%, Group project: 20%

Bibliography:

Textbook:

Bodie, Kane, and Marcus: "Investments", Irwing / McGraw-Hill, 9th edition (older editions can also be used)

Contact(s) and Office hours:

joni.kokkonen@ucp.pt

Office: 5305

Office hours: TBA



Code of conduct and ethics:

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Along with all the other members of our community, students are expected to follow professional standards and CATÓLICA-LISBON standards of Academic Integrity. Some details should be mentioned here: Please arrive on time for class with uninterrupted attendance for the duration of the class. Signing attendance sheet for anyone else in the class constitutes fraud and a violation of the CLSBE code of conduct. Use of computers and other electronic devices during the class is not allowed, unless expressly requested by the instructor of the course. Students who persistently act in a disruptive and disrespectful manner during the class session may be invited to leave.

Students are expected to behave at all times according to the fundamental principles of academic integrity, including honesty, trust, fairness, respect, and responsibility. In particular,

- a) In **individual graded assignments** of any type, students may not collaborate with others or use any materials without explicit permission from the instructor of the course;
- b) In **group assignments and reports**, all students listed as authors should have performed a substantial amount of work for that assignment;
- c) It is dishonest to fabricate or falsify data in experiments, surveys, papers, reports or other circumstances; fabricate source material in a bibliography or "works cited" list; or provide false information in other documents in connection with academic efforts;
- d) **Plagiarizing**, i.e. "to steal and pass off the ideas or words of another as one's own and or to use another's production without crediting the source" (Merriam-Webster Dictionary) is an Academic Integrity breach. It can be avoided by using proper methods of documentation and acknowledgement. Visit this guide for additional resources on how to avoid plagiarism in your written submissions <http://en.writecheck.com/plagiarism-guide>
- e) In **exams** students must not receive or provide any unauthorized assistance. During an examination, students may use only material and items authorized by the faculty. Use of smartwatches or other communication devices is not permitted during the exam.

Academic integrity breaches will be dealt with in accordance with the school's code of Academic Integrity: <https://www.clsbe.lisboa.ucp.pt/system/files/assets/files/academicintegritycode.pdf>