

Huron University College

Investment Management

MOS 3316B 550

Course delivery with respect to the COVID-19 pandemic

Although the intent is for this course to be delivered in-person, the changing COVID-19 landscape may necessitate some or all of the course to be delivered online, either synchronously (i.e., at the times indicated in the timetable) or asynchronously (e.g., posted on OWL for students to view at their convenience). The grading scheme will not change. Any assessments affected will be conducted online as determined by the course instructor.

D. McKeon
Winter 2022

Office Hours.
Tuesday 12-1 depending on public health restrictions.
Office A8

Course Description

This course examines the major theories of investment finance and the pricing bonds, stocks and options. Portfolio construction using passive and active management strategies will be discussed. The course will appeal to anyone considering a career as a financial analyst, portfolio manager or in wealth management. It will also aid in preparing for the preliminary exams of various professional designations.

The first part of the course will cover the main tenets of mean variance portfolio theory to determine efficient portfolios and select the optimum portfolio.

The second part of the course will examine standard equilibrium pricing models such as the CAPM and the other equilibrium models.

Subsequently, the pricing of debt and equity instruments in their respective markets will be covered.

The course will conclude with an introduction to option pricing and other derivatives.

Although much attention is paid to the theoretical constructs of the material, we will throughout the course, place an emphasis on applications.

Course Materials.

The main text for the course is Bodie Z., A. Kane, A.J. Marcus, S. Perrakis and P. Ryan, Investments, 10th Canadian edition McGraw Hill Ryerson (other versions are all fine).

The class will also have an OWL site where some but definitely NOT ALL extra material will be posted. The web site will not contain enough material for you to do well in this course. All topics, techniques and methodologies discussed in class are subject to examination.

Classes

You are expected to **attend** every lecture in its entirety. Questions on quizzes or tests may be based on topics covered in the lectures. Not all topics are covered in the textbook.

Assessment.

| | |
|---------------------------|-----------------------|
| First Term Test | 25% |
| Second Term Test..... | 34 % NOT SRA ELIGIBLE |
| Reports/Presentation..... | 32% NOT SRA ELIGIBLE |
| *Participation | 9% |

The participation mark will include **participation in quizzes and general classroom activity. This may include you being asked questions directly by the instructor. Absolutely no make ups for missed class work or quizzes.**

Groups and Deliverables.

All student will self-select into a group of no more than five people. Each group will be given a hypothetical 100 million dollars to invest.

Report I due Feb 2 - Date may require revision

This is a one or two page written report on what you chose to spend the 100 million dollars on. You may hold up to 10% of the fund back in cash- but 90% must be invested by this date. You must trade or reallocate 50% of the fund total assets during the term. Assets \may be held in passive investments i.e. ETFs but you cannot “buy and hold” the entire portfolio over the term.

This criterion is required so students get exposure to making investment decisions.

Report II Due - March 16, 23, 30 - Date may require revision

This is an oral presentation each group makes to the class (about 10 minutes) explaining what their fund invested in and what the outcomes are.

This is where most of the thirty marks will be earned. Here you prepare a PPT deck presenting your fund and its results. The most import part of this assignment is **to use economic/financial reasoning** in explaining why you invested as you did and how the markets responded during this investment period.

All of the above will be discussed in more detail during our first class.

Dates

Test I.....January 26 - Date may require revision

Test II..... March 9 - Date may require revision

Course Objectives

You will gain knowledge of the various types of financial instruments used in the financial industry.

At the end of the course, you will be able to evaluate the appropriate use of various portfolio construction techniques.

You will gain a fundamental understanding of the difference between investment and speculation.

You will get exposure to the technical skills needed to be a financial analyst.

Enrolling in the Chartered Financial Analyst program is a major career move and requires a significant commitment. This course will give you an idea of what is involved in attaining the CFA.

Course Outline

The following outline is based on chapters from the text. Although we follow the text, there will also be some material done in class that will not appear in the text nor posted on OWL. This additional material may constitute the **basis for exam questions**. In addition, readings may be assigned from time to time.

These readings are also subject to examination.

There may also be videos that you will be expected to watch either in class or online. These videos may contain testable material.

This outline is **subject to additions and deletions as well as reordering of chapters and topics**. It is incumbent on all participants to keep abreast of any changes at all times.

Changes to the outline will be obvious from the discussion taking place in class; nonetheless, any changes will be announced in class and may not be posted.

Introduction

Risk and return.....Chapter 4, 5

Utility and risk aversion.....Chapter 6

Optimal risky portfolio allocation.....Chapter 7

Equilibrium Models

| | |
|---|--------------|
| The capital asset pricing model (CAPM)..... | Chapter 8, 9 |
| Arbitrage pricing theory (APT)..... | Chapter 10 |
| Market efficiency..... | Chapter 11 |

Valuation of Debt and Equity

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|---------------------------------------|---------------|
| Bonds | Chapter 14 |
| Term structure of interest rates..... | Chapter 15 |
| Fixed income portfolios..... | Chapter 16 |
| Equities..... | Chapter 17,18 |

Derivative Markets

| | |
|-----------------------------------|---------------|
| Options and option valuation..... | Chapter 20,21 |
| Futures | Chapter 22 |

| | |
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| <u>Portfolio Assessment ment Techniques</u> | Chapter 24 |
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***Miscellaneous Topics**

Macroeconomics and industry analysis...

Active versus passive management...

Introduction to risk management...

*** The order of these topics may be interchanged.**

*The above outline is **TENTATIVE**. Additions and deletions may occur as the course progresses.*

The nature of the material is such that a flexible agenda is needed to accurately cover this material.

*All changes to the course material are announced in class. **Absence from class is not an excuse for not knowing of these changes.***

Missed Assessment.

Academic counselling must notify the instructor that you are eligible for accommodation for any missed assessment or course requirement not covered by SRA policy.

Missed quiz marks may be prorated if notice from academic counselling is received stating you are eligible for accommodation.

If you miss the first midterm, **and notice from academic counselling** is received stating that you are eligible for accommodation, then your marks will be reallocated to the second midterm.

If **you miss the second midterm, even if you wrote the first midterm**, you will normally have to write a comprehensive term paper of at least 15 pages excluding tables and graphs. The paper must cite at least **five professional technical papers** from academic journals in finance or economics. Students must be prepared to answer questions from the material in their paper, including the sources cited. If answers to these questions are deemed unsatisfactory, you will **receive a grade of zero for the make-up paper**.

The make- up paper is **due one week after the date of the missed second midterm**.

If you **miss the presentation**, you will also have to write a paper, due before the end of the examination period, that adheres to the criteria stated above.



Appendix to Course Outlines: Academic Policies & Regulations 2021 - 2022

Mandatory Use of Masks in Classrooms

Students will be expected to wear triple layer non-medical masks at all times in the classroom as per Huron policy and public health directives. Students are now permitted to drink water in class by lifting and replacing the mask each time a drink is taken. Students will be able to eat and drink outside of the classroom during scheduled breaks.

Students unwilling to wear a mask as stipulated by Huron policy and public health directives will be referred to the Dean's Office, and such actions will be considered a violation of the Huron Student Code of Conduct.

Pandemic Contingency

In the event of a COVID-19 resurgence during the course that necessitates the course delivery moving away from face-to-face interaction, all remaining course content will be delivered entirely online, typically using a combination of synchronous instruction (i.e., at the times indicated in the timetable) and asynchronous material (e.g., posted on OWL for students to view at their convenience). Any remaining assessments will also be conducted online at the discretion of the course instructor. In the unlikely event

that changes to the grading scheme are necessary, these changes will be clearly communicated as soon as possible.

Student Code of Conduct

Membership in the community of Huron University College and Western University implies acceptance by every student of the principle of respect for the rights, responsibilities, dignity and well-being of others and a readiness to support an environment conducive to the intellectual and personal growth of all who study, work and live within it. Upon registration, students assume the responsibilities that such registration entails. While in the physical or online classroom, students are expected to behave in a manner that supports the learning environment of others. Please review the Student Code of Conduct at: <https://huronatwestern.ca/sites/default/files/Res%20Life/Student%20Code%20of%20Conduct%20-%20Revised%20September%202019.pdf>.

Prerequisite and Antirequisite Information

Students are responsible for ensuring that they have successfully completed all course prerequisites and that they have not completed any course antirequisites. Unless you have either the requisites for this course or written special permission from your Dean to enroll in it, you may be removed from this course and it will be deleted from your record. This decision may not be appealed. You will receive no adjustment to your fees in the event that you are dropped from a course for failing to have the necessary prerequisites.

Attendance Regulations for Examinations

A student is entitled to be examined in courses in which registration is maintained, subject to the following limitations:

- 1) A student may be debarred from writing the final examination for failure to maintain satisfactory academic standing throughout the year.
- 2) Any student who, in the opinion of the instructor, is absent too frequently from class or laboratory periods in any course will be reported to the Dean of the Faculty offering the course (after due warning has been given). On the recommendation of the Department concerned, and with the permission of the Dean of that Faculty, the student will be debarred from taking the regular examination in the course. The Dean of the Faculty offering the course will communicate that decision to the Dean of the Faculty of registration.

Review the policy on Attendance Regulations for Examinations here:

https://www.uwo.ca/univsec/pdf/academic_policies/exam/attendance.pdf.

Statement on Academic Offences

Scholastic offences are taken seriously and students are directed to read the appropriate policy, specifically, the definition of what constitutes a Scholastic Offence, at the following website: https://www.uwo.ca/univsec/pdf/academic_policies/appeals/scholastic_discipline_undergrad.pdf. The appeals process is also outlined in this policy as well as more generally at the following website: https://www.uwo.ca/univsec/pdf/academic_policies/appeals/appealsundergrad.pdf.

Turnitin.com

All required papers may be subject to submission for textual similarity review to the commercial plagiarism detection software under license to the University for the detection of plagiarism. All papers submitted for such checking will be included as source documents in the reference database for the

purpose of detecting plagiarism of papers subsequently submitted to the system. Use of the service is subject to the licensing agreement, currently between The University of Western Ontario and Turnitin.com (<http://www.turnitin.com>).

Statement on Use of Electronic Devices

It is not appropriate to use electronic devices (such as, but not limited to, laptops, cell phones) in the classroom for non-classroom activities. Such activity is disruptive and distracting to other students and to the instructor, and can inhibit learning. Students are expected to respect the classroom environment and to refrain from inappropriate use of technology and other electronic devices in class.

Statement on Use of Personal Response Systems (“Clickers”)

Personal Response Systems (“clickers”) may be used in some classes. If clickers are to be used in a class, it is the responsibility of the student to ensure that the device is activated and functional. Students must see their instructor if they have any concerns about whether the clicker is malfunctioning. Students must use only their own clicker. If clicker records are used to compute a portion of the course grade:

- the use of somebody else’s clicker in class constitutes a scholastic offence
- the possession of a clicker belonging to another student will be interpreted as an attempt to commit a scholastic offence.

Academic Consideration for Missed Work

Students who are seeking academic consideration for missed work during the semester may submit a self-reported absence form online provided that the absence is **48 hours or less** and the other conditions specified in the Senate policy at

https://www.uwo.ca/univsec/pdf/academic_policies/appeals/accommodation_illness.pdf are met.

Students whose absences are expected to last **longer than 48 hours**, or where the other conditions detailed in the policy are not met (e.g., work is worth more than 30% of the final grade, the student has already used 2 self-reported absences, the absence is during the final exam period), may receive academic consideration by submitting a Student Medical Certificate (for illness) or other appropriate documentation (for compassionate grounds). The Student Medical Certificate is available online at https://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf.

All students pursuing academic consideration, regardless of type, must contact their instructors no less than 24 hours following the end of the period of absence to clarify how they will be expected to fulfill the academic responsibilities missed during their absence. **Students are reminded that they should consider carefully the implications of postponing tests or midterm exams or delaying submission of work, and are encouraged to make appropriate decisions based on their specific circumstances.**

Students who have conditions for which academic accommodation is appropriate, such as disabilities or ongoing or chronic health conditions, should work with Accessible Education Services to determine appropriate forms of accommodation. Further details concerning policies and procedures may be found at: <http://academicsupport.uwo.ca/>.

Policy on Academic Consideration for a Medical/ Non-Medical Absence

- (a) **Consideration on Medical Grounds for assignments worth *less than 10%* of final grade: Consult Instructor Directly and Contact Academic Advising**

When seeking consideration on **medical grounds** for assignments worth *less than 10%* of the final course grade, and if the student has exceeded the maximum number of permissible Self-Reported absences, the student should contact the instructor directly. The student need only share broad outlines of the medical

situation. The instructor **may** require the student to submit documentation to the academic advisors, in which case she or he will advise the student and inform the academic advisors to expect documentation. If documentation is requested, the student will need to complete and submit the [Student Medical Certificate](#). The instructor may **not** collect medical documentation. The advisors will contact the instructor when the medical documentation is received, and will outline the severity and duration of the medical challenge as expressed on the Student Medical Certificate and in any other supporting documentation. The student will be informed that the instructor has been notified of the presence of medical documentation, and will be instructed to work as quickly as possible with the instructor on an agreement for accommodation.

(b) Consideration on Non-Medical Grounds: Consult Huron Support Services/Academic Advising, or email huronsss@uwo.ca.

Students seeking academic consideration for a **non-medical** absence (e.g. varsity sports, religious, compassionate, or bereavement) will be required to provide appropriate documentation where the conditions for a Self-Reported Absence have not been met, including where the student has exceeded the maximum number of permissible Self-Reported. All consideration requests must include a completed [Consideration Request Form](#). Late penalties may apply at the discretion of the instructor.

Please review the full policy on Academic Consideration for medical and non-medical absence at: https://www.uwo.ca/univsec/pdf/academic_policies/appeals/accommodation_illness.pdf. Consult [Huron Academic Advising](#) at huronsss@uwo.ca for any further questions or information.

Support Services

For advice on course selections, degree requirements, and for assistance with requests for medical accommodation, students should email an Academic Advisor in Huron's Student Support Services at huronsss@uwo.ca. An outline of the range of services offered is found on the Huron website at: <https://huronatwestern.ca/student-life/student-services/>.

Department Chairs, Program Directors and Coordinators are also able to answer questions about individual programs. Contact information can be found on the Huron website at: <https://huronatwestern.ca/contact/faculty-staff-directory/>.

If you think that you are too far behind to catch up or that your workload is not manageable, you should consult your Academic Advisor. If you are considering reducing your workload by dropping one or more courses, this must be done by the appropriate deadlines. Please refer to the Advising website, <https://huronatwestern.ca/student-life/student-services/academic-advising/> or review the list of official Sessional Dates on the Academic Calendar, available here: <http://www.westerncalendar.uwo.ca/SessionalDates.cfm>.

You should consult with the course instructor and the Academic Advisor who can help you consider alternatives to dropping one or more courses. Note that dropping a course may affect OSAP and/or Scholarship/Bursary eligibility.

Huron Student Support Services: <https://huronatwestern.ca/student-life/student-services/>
Office of the Registrar: <https://registrar.uwo.ca/>
Student Quick Reference Guide: <https://huronatwestern.ca/student-life/student-services/#1>
Academic Support & Engagement: <http://academicssupport.uwo.ca/>
Huron University College Student Council: <https://huronatwestern.ca/student-life/beyond-classroom/hucsc/>
Western USC: <https://westernusc.ca/your-services/#studentservices>

Mental Health & Wellness Support at Huron and Western

University students may encounter setbacks from time to time that can impact academic performance. Huron offers a variety of services that are here to support your success and wellbeing. Please visit <https://huronatwestern.ca/student-life-campus/student-services/wellness-safety> for more information or contact staff directly:

Wellness Services: huronwellness@huron.uwo.ca

Community Safety Office: safety@huron.uwo.ca

Chaplaincy: gthorne@huron.uwo.ca

Additional supports for Health and Wellness may be found and accessed at Western through, <https://www.uwo.ca/health/>.