

Fall 2021-2022
MFIN 861 – Investments

Instructor: A. Doruk Günaydın

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Office Hours: By appointment. It would be best if you take an appointment one or two days before you want to meet me.

Course Description & Objectives:

This course is designed to develop an understanding of the field of investments. Topics include: securities markets; bond and equity valuation; risk-return relationship; diversification; asset pricing models; efficient market hypothesis, behavioral finance and investment companies.

The course presumes that you have a good understanding of basic finance. Students are introduced to analytical and technical skills needed in this class. Students who are preparing for or currently pursuing a career in investment banking or business consulting will find the course material to be very useful. Throughout the course, ethical aspects of financial relationships, actions and decisions are also discussed. This helps students become aware of the many ways in financial decisions have ethical dimensions.

Learning Outcomes:

Upon successful completion of the course, students should be able to:

1. Explain investment environments and types of securities traded in the markets,
2. Understand the pricing and risk management of fixed income securities,
3. Discuss investors' risk preferences and motivation for diversification,
4. Describe the theoretical background for various asset pricing models,
5. Distinguish the efficient and behavioral views of financial markets.

Course Methods

By design, this is a fairly rigorous course. We will spend roughly equal amounts of time in class to discuss and learn theoretical concepts and apply this knowledge in a variety of practical situations. In order to make the best out of each class session I will prepare lecture slides which will serve as the basis for class discussion. It is extremely important that you stay current with all the assignments and contribute to the class discussion.

Course Material:

Essentials of Investments, by Zvi Bodie, Alex Kane and Alan J. Marcus, **9th edition**, 2012 (McGraw-Hill Irwin)

Investment Science, by David G. Luenberger, **2nd edition**, 2014 (Oxford University Press)

Course Web:

Lecture slides, assignments and announcements will be posted on the SuCourse website. After the assignments are due, the solutions to the assignments will also be posted so that you can use them to prepare for the exams.

Instructional Design:

In-class lectures introduce students with the foundations of the main financial concepts. Students will have the opportunity to apply the knowledge they acquire in the classes by completing the assignments.

Assignments

There will be several homework assignments. You are required to turn in these assignments by **handwriting** them within one week after the homeworks are assigned. I will post the solutions to every assignment on SuCourse. There will not be any extra homework assignments for extra credit.

Grading:

Assignments: 20%

Midterm Exam: 40%

Final Exam: 40%

Course Policies

- Adherence to deadlines: Please be sure to adhere to all established course deadlines and due dates. Make up exams or extensions will be granted only under rare and extenuating circumstances.
- Attendance & Other Protocol: Students are expected to attend all lectures and participate in class discussion. The general MFIN program attendance policy applies. Avoid being distracted by e-mails, phone calls, web surfing etc. during class. I strongly encourage you to consult with me on a regular basis to discuss how the class is going for you, get periodic updates on your individual standing in the class, review coursework, understand class expectations, and discuss other relevant issues as needed.

Calculator

Students will need a scientific or financial calculator throughout the course. Many of the problems encountered in this course require arithmetic operations that are difficult or even impossible to be solved by hand or with a non-scientific or non-financial calculator. A scientific or financial calculator is useful to solve these problems efficiently, especially in the limited time frame of an exam. Make sure that you know how to use your calculator before you take the exams.

Academic Honesty:

Learning is enhanced through cooperation and as such you are encouraged to work in groups, ask for and give help freely in all appropriate settings. At the same time, as a matter of personal integrity, you should only represent your own work as yours. Everything you borrow from books, articles, or web sites should be properly cited. Although you are encouraged to discuss your ideas with others, it is important that you do not share your writing with anyone. Using ideas, text and other intellectual property developed by someone else while claiming it is your original work is *plagiarism*. Copying from others or providing answers or information, written or oral, to others is *cheating*. Unauthorized help from another person or having someone else write one's paper or assignment is *collusion*. Cheating, plagiarism and collusion are serious offenses that could result in a failing grade and disciplinary action. Please pay utmost attention to avoid such accusations.

Course Schedule:

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| Lecture 1 | Date: December 4 th (Morning) Topic: Securities Markets // Features of Fixed-Income Securities |
| Lecture 2 | Date: December 4 th (Afternoon) Topic: Valuation of Fixed-Income Securities |
| Lecture 3 | Date: December 10 th Topic: Yield Measures, Spot Rates and Forward Rates |
| Lecture 4 | Date: December 11 th (Morning) Topic: Term Structure of Interest Rates |
| Lecture 5 | Date: December 11 th (Afternoon) Topic: Interest Rate Risk Management |
| Lecture 6 | Date: December 11 th (Afternoon) Topic: Pricing Bonds with Embedded Options |
| Lecture 7 | Date: December 17 th Topic: MIDTERM EXAM |
| Lecture 8 | Date: December 18 th (Morning) Topic: Investment Characteristics of Portfolios |
| Lecture 9 | Date: December 18 th (Afternoon) Topic: Mean-Variance Analysis |
| Lecture 10 | Date: December 24 th Topic: Capital Asset Pricing Model and Performance Evaluation |
| Lecture 11 | Date: December 25 th (Morning) Topic: Efficient Market Hypothesis and Behavioral Finance |
| Lecture 12 | Date: December 25 th (Afternoon) Topic: Investment Companies |