

Subject Code	AF5344
Subject Title	Investments
Credit Value	3
Level	5
Normal Duration	One Semester
Pre-requisite / Co-requisite/ Exclusion	None
Role and Purposes	<p>This course provides a comprehensive coverage of the basic concepts, theories, applications and decision-making rules for financial investments. A balance between theories and applications, particularly in the Asian securities markets, is emphasized.</p> <p>This subject contributes towards the achievement of the Master of Finance program objectives, in particular (i) apply conceptual frameworks drawn from economics and quantitative method to the analysis of investment issues, and (ii) formulate financial strategies and envision their outcomes (Outcome 3).</p>
Subject Learning Outcomes	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> Understand modern portfolio theory and its use in the investment management process; Apply various valuation methods on different financial securities including equity, bonds, and derivatives; Understand the process of portfolio management and portfolio performance evaluation. (Outcome 3)
Subject Synopsis/ Indicative Syllabus	<p>The Investment Environment Typical investment instruments; investment process; risk free assets; market indexes and benchmarks; short sales; primary and secondary markets for equities and bonds; investment companies.</p> <p>Portfolio Theory Measure of return and risk; risk return trade-off; diversification and portfolio risk; optimal risky portfolios; risk-free lending and borrowing; asset allocation.</p> <p>Asset Pricing Models Capital Asset Pricing Model (CAPM); multi-factor models;</p> <p>Efficient Market Hypothesis Theory and empirical evidence in favour of and against market efficiency; limits to arbitrage; behavioural finance; implication of the debate for investors. Efficient market hypothesis and the financial market turmoil of 2007-09.</p> <p>Fundamentals of Equity Valuation Valuation concepts and methods; valuation models such as dividend discount model; P/E based models. Implications of financial bubbles and crises for</p>

equity valuation.

Fundamentals of Bond Analysis
 Basic features of debt securities; basic valuation models; yield computation; term structure of interest rates; interest rate risk; duration; management of fixed income portfolios.

Fundamentals of Derivatives Securities
 Basic terminology; option payoffs; option strategies; use of derivatives in portfolio management.

Performance Evaluation
 Time-weighted versus dollar-weighted returns; risk adjustment in performance evaluation; performance attribution analysis.

Teaching/Learning Methodology
 The theoretical aspects of this course will be covered in the class through lectures. This allows direct contact and discussion between lecturer and students. Assignments, newspaper articles, and case studies will be used to illustrate the application of the ideas, and to encourage independent learning skills.

Assessment Methods in Alignment with Intended Learning Outcomes

Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)					
		a	b	c			
1. Class Participation	10%	✓	✓	✓			
2. Mid-Term Test	20%	✓	✓				
3. Project	20%	✓		✓			
4. Final Examination	50%	✓	✓	✓			
Total	100 %						

Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:

Class participation – Students should read assigned readings before the class to prepare for better learning and possible Q&A sessions in class.

Homework assignments test students on their understanding of investments theories and valuation methods.

Group project – the stock portfolio management project applies portfolio theory in the investment management process and portfolio performance evaluation.

Final examination – 3 hours closed book examination with compulsory questions covering all the intended learning outcomes.

	Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.	
Student Study Effort Expected	Class contact:	
	▪ Lectures / Seminars	39 Hrs.
	Other student study effort:	
	▪ Reading	39 Hrs.
	▪ Homework and Project	39 Hrs.
	Total student study effort	117 Hrs.
Reading List and References	<p>Bodie, Zvi, Alex Kane and Alan J. Marcus, Essentials of Investments, 10th edition, 2017, McGraw-Hill/Irwin, International edition. (Required Textbook)</p> <p>Bodie, Zvi, Alex Kane and Alan J. Marcus, Investments, 11th edition, 2018, McGraw-Hill/Irwin.</p> <p>Malkiel, Burton G., A Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing, 11th Edition, 2015, W.W. Norton & Company.</p> <p>Reilly, Frank K., Keith C. Brown, and Sanford J. Leeds, Investment Analysis and Portfolio Management, 11th edition, 2019, Cengage Learning.</p> <p>Topical readings from the financial press about local and international markets.</p>	