

Subject Description Form

Subject Code	AF3316
Subject Title	Investments
Credit Value	3
Level	3
Normal Duration	1-semester
Pre-requisite / Co-requisite/ Exclusion	Pre-requisite: Business Finance (AF3313)
Role and Purposes	<p>This course provides a comprehensive coverage of the basic concepts, theories, applications and decision-making rules for financial investments. It is a complement to modules in Financial Markets and Institutions, Securities Regulation, Risk Management, Principles of Insurance, and Management of Financial Institutions.</p> <p>While this subject contributes towards the achievement of almost all of the BBA program objectives, more direct contribution is towards enabling students to (i) apply basic financial theories, analyse financial reports, and understand the operation of financial markets (Outcome 7), and (ii) communicate their analyses verbally and in writing in English (Outcome 1a).</p>
Subject Learning Outcomes	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> a. Explain the different types of securities and their risk and return profiles; b. Understand the security analysis and portfolio analysis process; c. Plan, manage and review client portfolios according to customer profile and needs in order to recommend and justify appropriate types of savings and investment; d. Demonstrate an ability to recognize, analyze, and deal with global issues relating to investments.
Subject Synopsis/ Indicative Syllabus	<p>The Investment Environment</p> <p>Typical investment instruments; investment process; risk free assets; market indexes and benchmarks; short sales; primary and secondary markets for equities and bonds; investment companies; trading mechanisms; mutual funds, hedge funds and other investment vehicles.</p> <p>Portfolio Theory</p> <p>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</p> <p>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.</p> <p>Fundamentals of Equity Valuation Fundamental analysis; valuation concepts and methods; valuation models such as dividend discount model; relative valuation such as P/E based models.</p> <p>Fundamentals of Fixed-Income Securities Basic features of debt securities; bond price and yield computation; term structure of interest rates; interest rate risk; duration; immunization; management of fixed income portfolios.</p> <p>Introduction to Derivatives Basic terminology; option payoffs; option strategies; use of derivatives in portfolio management.</p> <p>Performance Evaluation Time-weighted versus dollar-weighted returns; risk adjustment in performance evaluation; common performance measures; performance attribution analysis.</p>																																																	
<p>Teaching/Learning Methodology</p>	<p>The theoretical aspects of this course will be covered in the class through lectures. This allows direct contact and discussion between instructors and students. Assignments, newspaper articles, and case studies will be used to illustrate the application of the ideas, and to encourage independent learning skills. These discussions would play a critical role in achieving the learning objectives set out for the BBA program (Outcomes 1a and 7). Students are expected to share their views and experiences actively with their instructors and classmates, allowing the students to improve their communication skills (Outcome 1a).</p>																																																	
<p>Assessment Methods in Alignment with Intended Learning Outcomes</p>	<table border="1" data-bbox="459 1240 1393 1868"> <thead> <tr> <th>Specific assessment methods/tasks</th> <th>% weighting</th> <th>a</th> <th>b</th> <th>c</th> <th>d</th> <th></th> </tr> </thead> <tbody> <tr> <td>Continuous Assessment</td> <td>50%</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1. Class Discussion and Participation</td> <td>10%</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td>2. Group Project Report and Presentation</td> <td>20%</td> <td>√</td> <td>√</td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>3. Mid-Term Examination</td> <td>20%</td> <td>√</td> <td>√</td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>Final Examination</td> <td>50%</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td>Total</td> <td>100 %</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>To pass this subject, students are required to obtain Grade D or above in both the Continuous Assessment and Examination components.</p>	Specific assessment methods/tasks	% weighting	a	b	c	d		Continuous Assessment	50%						1. Class Discussion and Participation	10%	√	√	√	√		2. Group Project Report and Presentation	20%	√	√		√		3. Mid-Term Examination	20%	√	√		√		Final Examination	50%	√	√	√	√		Total	100 %					
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Student Study Effort Expected	Class contact:	
	▪ Seminar	39 Hrs.
	Other student study effort:	
	▪ Group work	9 Hrs.
	▪ Individual work	78 Hrs.
	Total student study effort	126 Hrs.
Reading List and References	<p><i>Recommended Textbook</i></p> <p>Bodie, Zvi, Alex Kane and Alan J. Marcus, <i>Essentials of Investments</i>, 10th edition, 2017, McGraw-Hill/Irwin, International edition.</p> <p><i>References</i></p> <p>Malkiel, Burton G., <i>A Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing</i>, 10th Edition, 2012, W.W. Norton & Company.</p> <p>Reilly, Frank K. and Keith C. Brown, <i>Investment Analysis and Portfolio Management</i>, 10th edition, 2011, Cengage Learning.</p> <p>Topical readings from the financial press about local and international markets.</p>	