

NATIONAL TAIWAN UNIVERSITY
Department of International Business

Investments

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Fall 2012
Monday 14:20-17:20
02-33664987

COURSE DESCRIPTION

An investment is the current commitment of money or other resources in exchange for future benefits, i.e., you sacrifice something of value now and expect to benefit from that sacrifice later. In theory, the rate of return and the degree of risk you bear from the investment are the major two factors to influence investment decisions. Hence, to estimate the rate of return and the degree of risk, you need to understand the characteristics of different **financial instruments** and the trading mechanisms of various **securities markets**, to know the **valuation methods** for different financial instruments (e.g., DCF, CAPM, APT, macroeconomic or financial statement analysis, Black-Scholes option pricing formula, etc.), to analyze the **market efficiency** and thus design different trading strategies (i.e., EMH and fundamental and technical analysis), and to apply the principle of the **portfolio theory** to construct your risk-diversified portfolios. Understanding the content of this course not only give you a sense to manage your wealth in the future but also build a solid foundation for more advanced courses in the finance field.

VERSUS FINANCIAL MANAGEMENT

Some content of this course is similar to that in Financial Management because both courses discuss the financial markets, financial instruments, the valuation of debt and stock, etc. However, the major difference between these two courses is the different viewpoints they stand for. In **Financial Management**, we study the decision for a **firm** (more specifically, focusing on how firms invest projects and how they raise the money to pay for these investments), but in **Investments**, we study the decision for an **investor**. In addition, the debt policy (capital structure) and dividend policy is exclusive in Financial Management, but Investments pays more attention on the portfolio management, the security analysis, and trading strategies. After all, some basic tools, like DCF or IRR, are usually

introduced in Financial Management but not in Investments, so the suggested sequence is to learn Financial Management first and then Investments.

TEXT AND LECTURE NOTES

Lecture Notes: <http://homepage.ntu.edu.tw/~jryanwang/> → Course Information →

Investments (undergraduate level)

(Note: DO NOT access CEIBA for the syllabus and lecture notes.)

Required Text: Essentials of Investments, by Bodie, Kane, and Marcus, 2010, 8th ed.

(The representative bookstore of this book in Taiwan is 東華書局. If you decide to purchase the text book together, you can contact Ms. 湯茹絮 via (02) 2331-7856.)

EXAMS AND GRADINGS

Midterm Exam 50% (on Nov. 5th)

Final Exam 50% (on Jan 7th)

- * The exam dates are regulated by NTU. Please ensure that you will be available to attend these two exams before you decide to take this course.
- * To maintain the fairness in the class, there are no make-up exams or other alternatives for exams.
- * The need of travel cannot be the excuse to miss the exams.
- * If you cannot attend the exams due to other reasons, you need to notify me in advance and get my permission. A late notification is not acceptable.
- * The dishonesty in the exams will lead to a failed result for this course.
- * The range for each exam depends on the speed of my lecture. The range is not accumulative for the final exam.
- * The format of both exams: 30% for term explanation and 70% for calculation problems. All calculation problems are collected from the quiz and questions at the end of each chapter in the required text.
- * I will curve your final grades such that the average and standard deviation of the grades in this class are comparable to other classes offered by College of Management of NTU.

RULES IN CLASS

1. DO NOT distract other students from listening to my lecture.
2. If you have any questions about my lecture, just raise your hand to interrupt me.

COURSE OUTLINE

1. Elements of Investments (Chapters 1-4)
 - Introduction
 - Financial Instruments
 - Securities Markets
 - Investment Companies
2. Portfolio Theory (Chapters 5-9)
 - Asset Allocation–Efficient Frontier
 - CAPM, Multifactor Models, and APT
 - Efficient Market Hypothesis, Behavioral Finance, and Technical Analysis
3. Debt Securities (Chapters 10-11)
 - Bond Valuation
 - Managing Bond Portfolios
4. Securities Analysis (Chapters 12-14)
 - Macroeconomic Analysis
 - Equity Valuation
 - Financial Statement Analysis

OFFICE HOURS

Thursday 13:30-15:30

Room 513, Building 2, College of Management

- * It is not suggested to ask academic questions in emails. The face-to-face communication is the best way to make me understand your questions and give you the most precise instructions or accurate answers for solving your problems.
- * Try to fully utilize the office hours before making an individual appointment.

TEACHING ASSISTANT

張碧娟 d95724014@management.ntu.edu.tw

- * For difficulties of solving questions in the text book, please ask the TA first.

