FN 312: Investments

ภาค 2 ปีการศึกษา 2560
เริ่มวันจันทร์ที่ 8 ม.ค. - วันเสาร์ที่ 19 พ.ค.2561
สอบกลางภาค วันที่ 11-18 มี.ค.2561
สอบไล่ วันที่ 21-28,30-31 พ.ค.,1-5 มิ.ย.256
งดการเรียนการสอนช่วงกีฬามหาวิทยาลัย วันที่ 22 ม.ค.-3 ก.พ.61
ช่วงจดทะเบียนเรียนล่าช้า,เพิ่ม-ถอนรายวิชา 16-19 ม.ค.2561 ถอนรายวิชา Drop ติด W 26 มี.ค.-2 เม.ย.2561

Class Time and Venue:

Section 7800/01

Date: Wed 9:30-12:30 (except for holidays which the class will be rescheduled)

Venue: BA202

Section 9000/01

Date: Wed 1:30-16:30 (except for holidays which the class will be rescheduled)

Venue: SC3042

Office hours: Wednesday 16:30-18:00 or by appointment

Instructors:

Assistant Professor Anchada Charoenrook, Ph.D.

Room: BA632

Prerequisite: -กง.201, statistics

The objective of this course is to familiarize students with the basic science of investing, how to analyze the economy, and securities.

Key concepts will include

1. Different investment securities and how they are traded
2. The tradeoff between risk and return
3. The concept of diversification and optimal risky portfolio selection
4. Bonds and bond valuation
5. The term structure of interest rate

6. Introduction to derivative securities and general ideas in valuation of derivative contracts.
7. After taking this class, students should be able (among other things) to discuss investment alternatives and perform optimal portfolio selection of equity securities, to value government bonds, to value simple derivatives securities, to understand the mechanisms of trading and the institutional framework in which investment takes place. This is a class that will get students thinking about systematic investment analysis

Required Text: **Investments by** Bodie, Kane, Marcus, and Jain Asian Global Edition; John Wiley & Sons, All chapters indicated in the course schedule correspond to this book.

สารสนเทศของวิชา : QR Code

Additional reading: Financial news, กรุงเทพธุรกิจ

Course Policies and Grading:

Your final grade will consist of:

Term Project and class participation:	10%
Mid-Term: (18 มี.ค. 2561 เวลา 15.00-17.30 น.)	35%
Final Exam: (28 พ.ค. 2561 เวลา 09.00-12.00 น.)	40%
Homework assignments:	15%

To receive full course credit, you must attend classes on a regular basis. Attendance may be recorded randomly in any class period.

Grading is done on a curve basis as follows (approximately):

Score <45= F, score>= 90 =A, Mean = B or C+, The reset depends on the distribution of the score.

Schedule for FN 312 Investments Course

Tentative

Session	Day	Date		Assigned Material
1				Chapter 2: Asset Classes and Financial Instruments
2				Chapter 3: How Securities are Traded Chapter 4: Mutual Funds and Other Investment Companies
3				Chapter 5: Learning about Return and Risk from the Historical Record, Chapter 6: Risk Aversion and Capital Allocation to Risky Assets
4				Chapter 7: Optimal Risky Portfolios
5				Chapter 7: Optimal Risky Portfolios and the portfolio project Chapter 25: International diversification
6			.	Chapter 4: Mutual funds and other investment diversification Chapter 25
7				Chapter 10: Efficient market hypothesis
				Midterm

Session	Day	Date		Assigned Material
8				Chapter 9: The Capital Asset Pricing Model
9				Chapter 18: Equity valuation models
10				Chapter 18: Equity valuation models or Chapter 26: Hedge fund
11				Chapter 14: Bond Prices and Yields
12				Chapter 15 and 16: The term structure of interest rates and bond portfolio management
13			.	Chapter 20: option markets
14				Chapter 21: option valuation
15				Chapter 19: Futures market
				Final Exam

Others

You will need a **calculator** during the course. Your calculator must be able to raise numbers to powers and work with natural logarithms. Of course, a financial calculator is always the optimal solution, but if you don't have one at hand, please make sure your

Internationally diversified portfolio project
Due in class two weeks after the midterm

Assume you are working for a large mutual fund company whose current offerings include only U.S.-based investments. **You are asked to investigate the benefits and costs of creating a new 'global' index fund.** (A global fund invests in the USA and international equity markets). In order to assist you the following spreadsheet is provided on the class website:

> Monthly stock price indices quoted in US dollars from a number of countries. These are value-weighted indices of the largest and most liquid stocks in each national market.

The objectives of the project are the following:

1. Find the optimal global risky portfolio: In the analysis of an optimal global risk portfolio you must consider at least one factor, which is the market risk. Make recommendations to the mutual fund company on the composition of the optimal global fund.
2. What risk-free rate do you use to obtain the optimal CAL and the optimal risky global portfolio and why?
3. Find the net improvement in return and reduction in risk that would be obtained by a US investor who diversified internationally by investing in this global fund. Comment on whether an investor would be better off investing in the global fund versus investing in U.S. stocks only.
4. Manage the global portfolio: What might be a reasonable sales charge to prospective investors? Will you impose a front-end load or a back-end load to the fund? How will you market the new fund? Who would be your target market? How much will you charge for management fee (Hint: see market average of passively manage funds)?
5. Compare your results to current investments of US investors: As of the year 2000 although the foreign equity holding has increased it still amounts to approximately 10% of total equity holdings. Compare this numbers to the percentage of foreign equity holdings in your global optimal portfolio. Why do you think American investors do not hold more foreign equities in their portfolio? Are they investing sub-optimally?
6. Discuss practical considerations: Discuss the practical and political problems and risks associated with investing in foreign equities. References to specific countries and their political situations would be useful. How important a role do exchange rates play? Are these issues important enough to account for the difference between the optimal global fund and what American investors hold?

Write up

Provide a one-page executive summary, mainly answering the question of whether it will be beneficial for the company to offer a global index fund (be specific), who would invest in them, why? In the report briefly describe your analysis method and results. Comment on the results and answer all the questions above. You do not have to limit your comments to the questions asked. Further comments and analysis are encouraged. Do not submit raw computer output. All figures and tables must be clearly labeled and well presented. The written part of the report, excluding the executive summary, front page, figures, and tables must be no more than 6 pages (double-spaced, fonts of at least 11 point). Tables and figures may be placed in an appendix. Quality and clarity of the writing will be highly valued. In addition to your report, submit your excel file or files (in a disk or email) with all relevant information that you used in your analysis.

Suggestions on how to proceed with the analysis

1. Calculate the return of each country index. Calculate the variance-covariance matrix for these countries. (Hint: remember to use sample variance and covariance)
2. Obtain efficient frontier of these risky assets.
3. **Find the optimal CAL and the optimal global risky portfolio.**

Evaluations

You will be evaluated mainly by, but not limited to, the following criteria: numerical analysis, concept and intuition, clear writing and communication of ideas.

Note

This project is a group assignment. **<u>You may discuss the project with your own group members only, but not with other groups or anybody else</u>**. The use of existing solutions of similar projects from the internet or elsewhere is considered cheating and will be subject to the university's policy.