

NANYANG TECHNOLOGICAL UNIVERSITY

NANYANG BUSINESS SCHOOL

BU9201 Investments

Course Description and Scope

This course is an elementary to investments. The objective of this course is to provide and equip you with a solid knowledge and skills in investment and portfolio management. The course begins with a series of discussions and dialogues in essentials of investments, mechanisms of financial markets, various asset classes and its risk and return, assets allocation, portfolio management. Next, the valuations of stock and bond and its critics will be discussed in details. In addition, derivatives, specifically futures and options, will be analysed. Last but not least, the sustainability and social responsibilities of investments in 21st century should not be ignored in this course.

In this course, you will also go through the application of corporate finance topics in the portfolio strategies, i.e. Mergers & Acquisitions, Initial Public Offerings, dividend announcement, Strategic Alliances, etc, by applying the theories to practice.

Question: This world fills with risks and uncertainties. Do we have the solution for it? Let's find it out in this course. What do you think about High Risk High Return and what it means to you.

Course Learning Objectives

A major objective of the course is to provide you with the tools and skills needed to make sound investment decisions throughout your life.

Upon the completion of the course, you should be able to:

- Understand the essential of investments
- Understand the mechanisms of financial markets: How it works?
- Understand the valuation of stock and its application
- Understand the valuation of bond and its opportunities for retail investors on SGX
- Understand the derivative contracts, i.e. futures and options
- Understand what is asset allocation and the role of portfolio management in investments
- Raise the awareness of sustainability and social responsibility in investments
- Have a practical knowledge of analytical skills to develop and implement sound investment strategies

Course Assessments (Details of assessment components will be discussed in first lecture)

| Components | Marks | Individual/Group |
|------------------------------|------------|------------------|
| Class participation | 15 | Individual |
| Practical Investment Project | 35 | Group |
| Examination | 50 | Individual |
| Total | 100 | |

Proposed Weekly Schedule

| Week | Topic | Learning Objectives | Readings/Activity |
|------|---|--|--|
| 1 | <ul style="list-style-type: none"> Review BU8201 Introduction to investments | <ul style="list-style-type: none"> Recap firm theory Understand various financial instruments | Mind Map Handouts |
| 2 | <ul style="list-style-type: none"> Introduction to financial markets Mechanisms of financial markets | <ul style="list-style-type: none"> Learn the essentials of various markets Understand the operations of financial markets Know the trading mechanisms | Ch 1 to 3 Handouts |
| 3 | <ul style="list-style-type: none"> Risk and return Diversification | <ul style="list-style-type: none"> Understand the relationship between risk and return Diversification is the rule of thumb in investment | Ch 4 Handouts |
| 4 | <ul style="list-style-type: none"> Capital Asset Pricing model (CAPM) Arbitrage Pricing Theory (APT) Other Models | <ul style="list-style-type: none"> Understand the factors determining the stock return Alternative models will be discussed | Ch 5 to 7 Handouts |
| 5 | <ul style="list-style-type: none"> Asset allocation Portfolio formation | <ul style="list-style-type: none"> Understand the asset classes Form portfolio to achieve the objective of investments | Ch 8 to 9 Handouts |
| 6 | <ul style="list-style-type: none"> Portfolio formation & performance measurement Mutual funds vs hedge funds strategies & performance | <ul style="list-style-type: none"> Evaluate portfolio performance Understand various strategies of managed funds | Ch 21 Handouts |
| 7 | <ul style="list-style-type: none"> Stock valuation Rational vs behavioural finance | <ul style="list-style-type: none"> Understand stock valuation theories Application of investment strategies | Ch 10-13 Handouts |
| 8 | Recess | | |
| 9 | <ul style="list-style-type: none"> Stock market microstructure | <ul style="list-style-type: none"> Understand the trading mechanisms of stocks on exchanges | In-class activities Hands on practice |

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|------------------------------------|---|---|---------------------------------|
| | | <ul style="list-style-type: none"> • Unveil the truth of stock trading | |
| 10 | <ul style="list-style-type: none"> • Bond valuation • Term structure of interest rate • Bond portfolio | <ul style="list-style-type: none"> • Understand how bonds are valued • Application of term structure of interest rate and bond strategies | Ch 14 to 16 Handouts |
| 11 | <ul style="list-style-type: none"> • Derivatives | <ul style="list-style-type: none"> • Understand futures and options • Uses of derivatives in risk management | Ch 17 to 19 Handouts |
| 12 | <ul style="list-style-type: none"> • Sustainability and social responsibility of investment | <ul style="list-style-type: none"> • New paradigm in investment • Essential of sustainable investing | Handouts In-class discussion |
| 13 | <ul style="list-style-type: none"> • Group Project Presentation • Possibly two weeks (Wk12 & 13) | <ul style="list-style-type: none"> • Application of knowledge and skills • Problems solving | Group activities |
| FINAL EXAMINATION (2 HOURS) | | | |