Logistics

Instructor: Prof. Xiaoji Lin  
Office: Fisher 846  
Phone: 614.292.4318 (office)  
Email: lin.1376@osu.edu (my primary mode of communication)  
Web: http://u.osu.edu/lin.1376/  
Course Web: https://carmen.osu.edu/  
Office hours: Tuesday 1:00–3:00pm or by appointment

Schedule: Monday & Wednesday, 11:10–12:30pm, Mason Hall 405

Midterm: Wednesday, February 21, 11:10–12:30pm, in Mason Hall 405

Final: Monday, April 30, 12–1:45pm, in Mason Hall 405

Course Objective

Students should expect to learn about the fundamental principles of investment management. The goal is to equip students with the tools necessary to make good investment decisions. As a consequence of this goal, the course is organized around two broad themes. The first theme is the return pattern across different securities. Topics from the first theme include risk and return, portfolio theory, mean variance analysis, and asset pricing models. The second theme is the money management industry. Topics for the second theme include the efficient market hypothesis, market frictions, options and futures, performance evaluation, style analysis, and the behavior of money management professionals.

Workload Expectation

The University and College expectation is that students spend two hours outside of class for every hour spent in class. Since this course meets around 3 hours per week, you should expect to spend 6 hours per week outside of class on course-related work.
Prerequisites

This course is quantitative, but it does not focus on mathematical derivations or complicated statistical analysis. You should be familiar with basic mathematics, basic statistics, basic accounting, and basic economics. If your understanding of basic statistics (such as means, variances, covariances, random numbers, and linear regression) is rusty, please review the relevant materials. The primary prerequisite for the course is Business Finance 3220 and the basic economics and statistics courses. If you are uncertain about whether you meet the prerequisite requirements, please come to see me.

Teaching Assistant

Our Teaching Assistant is Hyeik Kim. Hyeik is a doctoral student in Finance at the Fisher College who will grade your homework assignments, the midterm, and the final.

Course Materials

We will discuss the most important topics in class, and will try to connect the course materials to current events going on in the investment management industry.

The required textbook is Bodie, Kane, and Marcus, Essentials of Investments, 10e, McGraw-Hill (BKM9e).

The course Web site at Carmen contains: (i) course announcements; (ii) lecture notes; (iii) homework assignments; and (iv) supplementary readings in pdf format. Lecture notes will be posted about one week before their corresponding class meetings. Students are responsible for obtaining course materials such as lecture notes and assignments from the course Web site. It is strongly recommended to complete required readings before the actual lectures. Required readings are mostly from the textbook.

Supplementary readings are selected to encourage questions and discussions about the concepts in class, and to facilitate understanding of the course materials. Supplementary readings are from practitioner-oriented journals such as the Wall Street Journal.

Homework Assignments

Homework assignments will be available on the course Web site for download. The main goal of the homework is not to evaluate you, but to provide a framework that will allow you to synthesize the course material. The homework will be graded. I encourage you to work together and collaborate on the homework assignments. I will accept homework from groups consisting of at most four people. Homework must be handed in on time; I will not give any credit to late homework. You are expected to turn in all homework assignments.
Exams

There will be an in-class midterm and a final exam. You must take both to pass the course. Absence from either will only be excused under the most serious conditions such as a medical emergency, and it must be validated in writing by a medical doctor. Both exams are closed book. A crib sheet to the exams will be provided by the instructor. You can use a calculator that can compute logs and raise numbers to arbitrary powers. However, laptop computers and calculators with word-processing features are not allowed to use during the exam.

Course Requirements and Grading

The course grade will be based on assignments, the first and second exams using the following weights:

<table>
<thead>
<tr>
<th>Homework assignment</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm</td>
<td>40%</td>
</tr>
<tr>
<td>Final</td>
<td>40%</td>
</tr>
</tbody>
</table>

Class Participation

- Make comments and asking questions instructive and helpful for the whole class.

- Direct feedback to me including constructive comments on lectures, homework, the textbook, or any aspect of the course.

- Professional etiquette. Be nice and considerate of others in the class. However, I do understand that your other schedules sometimes interfere with class. As such, I plan to start promptly and I expect you to be on time. If, because of some unusual circumstance you come in late, please enter as surreptitiously as possible. If it is necessary for you to leave early, please sit next to a door. Please ask someone to switch seats with you before class starts if this is necessary. You can leave the room briefly if it is an emergency: If you doubt whether it is an emergency, it’s not. As a general rule, you cannot use other handheld communication devices in class. I allow the use of laptops for specific limited purposes such as note-taking. At no time are you permitted to perform any email related activities or e-texting in class.

Academic Integrity

In accordance with rule 3335-5-487, all instances of alleged academic misconduct will be reported to the department chairperson and the Committee on Academic Misconduct. Academic misconduct is grounds for failing the course and may be grounds for additional sanctions. Academic misconduct includes, but is not limited to, giving and receiving information during a closed book exam and submitting plagiarized work for an academic requirement.
To be more specific, exams are to be the work of the individual, using only permitted materials. “Individual” means that collaboration (such as sharing information) among students during an exam is strictly prohibited. Concerning all other aspects of the course, including the assignments, you can discuss freely with your classmates, both within or outside your own group. But the work you ultimately turn in must be that of your own group.

Students with Disabilities

I strive to treat students with dignity and fairness and to be particularly sensitive to the diversity that exists within the student body. Students with disabilities who request help will be given reasonable accommodation with the assistance of the University Office of Disability Services (292-3307).

Tentative Course Outline

I reserve the right to adjust the course content as the course unfolds.

Course Introduction

Lecture notes on “Introduction”

Elements of Investments

Lecture notes on “Investments: Background and Issues” and “Asset Classes and Financial Instruments”

BKM9e, Chapters 1 and 2

Supplementary: BKM9e, Chapter 3

Modern Portfolio Theory

Lecture notes on “Risk and Return,” “Asset Allocation,” “Diversification,” “Portfolio Analysis,” “The CAPM/APT,”

BKM9e, Chapters 5, 6, 7, 8, and 9

Bonds

Lecture notes on “Bond Prices and Yields”

BKM9e, Chapters 10 and 11
Options and Futures

Lecture notes on “Introduction to Options and Futures”

BKM9e, Chapters 15 and 17

Investment Management

Lecture notes on “Mutual Funds” and “Performance Evaluation”

BKM9e, Chapters 4 and 18

<table>
<thead>
<tr>
<th>Tentative Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1</td>
</tr>
<tr>
<td>Week 2-3</td>
</tr>
<tr>
<td>Week 3-4</td>
</tr>
<tr>
<td>Week 4-5</td>
</tr>
<tr>
<td>Week 5-7</td>
</tr>
<tr>
<td>Feb. 21</td>
</tr>
<tr>
<td>Week 8</td>
</tr>
<tr>
<td>Week 9-10</td>
</tr>
<tr>
<td>Week 10-11</td>
</tr>
<tr>
<td>Week 11-12</td>
</tr>
<tr>
<td>Week 13</td>
</tr>
<tr>
<td>Week 14</td>
</tr>
<tr>
<td>Apr. 23</td>
</tr>
</tbody>
</table>