



## Investments

1238.3341.01

### Module 4, Spring 2014

#### **Course Description:**

The objective of this course is to undertake a comprehensive study of theory, evidence, and practice relevant to equity investment management. We will cover modern portfolio theory and equilibrium asset pricing models (CAPM, APT / multifactor models). We will discuss market efficiency, “anomalies”, and the challenge from behavioral finance. The final part of the course will be devoted to applied portfolio management; we will discuss performance measures, mutual fund performance, and active portfolio management.

#### **Prerequisites:**

Students are required to have completed an introductory finance course and basic probability and statistics. As to statistics, students should be familiar with the concepts of means, variances, covariances, and comfortable with basic regression analysis. Some familiarity with matrix algebra might be useful but is not required.

#### **Instructor:**

Dr. David (Davey) Disatnik

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#### **Class and Office Hours:**

Class times: Usually, we will meet on Tuesdays, 11:30 – 14:15 and Thursdays, 11:30 – 14:15 in Room 303.

Office hours: I welcome students to see me outside of class to discuss any aspect of the course. My scheduled office hours, when students may come without appointments, are on Tuesdays and Thursdays from 15:00 to 16:30.

**Note:** On Tuesday, May 6, 2014 (Independence Day) and Tuesday, June 3, 2014 (Shavuot), the class will not be held. Instead, we will meet on Sunday, June 8, 2014 from 11:30-14:15 and Tuesday, June 10, 2014 from 11:30-14:15. Also, note that on Thursday, May 22, 2014, we will meet from 09:00 to 11:45 ("TAU Student Day"; no classes after 12:00).

**Teaching Assistant:**

Rona Pfeffer

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Office hours will be scheduled upon request

**Textbook and Readings:**

The textbook for this course is Bodie, Kane, and Marcus' *Investments and Portfolio Management* (9<sup>th</sup> edition; McGraw-Hill Irwin, 2011). Older editions of the book can be used as well.

The class notes will be made available on our class website on a weekly basis. Additional materials may be posted to the class website from time to time. Reading them is optional.

**Class Participation:**

I consider class participation an important component of your learning experience and expect that you devote all of your attention to the class lecture and class discussion once you enter the classroom. Late arrivals, early departures, ringing cell phones, and private conversations are very disruptive to the quality of the learning environment in the classroom and disrespectful to the other people. I expect you to come to class prepared.

**Final Exam:**

There will be an in-class final exam at the end of the semester (June 16, 2014; 09:00am). No make-up exams will be given except for extraordinary circumstances. For the exam, you are allowed to bring one A4-sized sheet with writings on both sides and a calculator.

**Homework:**

There will be two to three homework assignments and a case write-up during the course. The assignments are due at the beginning of class. You may work together or consult other students freely in completing your homework (and the case). If you work in a group, you only need to hand in one set of answers to each assignment. **Groups cannot include more than four students.**

**Grading:**

The specific grading policy follows:

Classroom attendance and participation:	10%
Homework (including the case):	40%
Final exam:	50%

**To the Students:**

If you need an accommodation for a disability, please let me know at your earliest convenience. I will treat information you provide as private and confidential.

**Course Schedule:**

The following course schedule is tentative. The readings in Bodie, Kane, and Marcus (BKM) are required (the chapters' numbers are as they appear in the 9<sup>th</sup> edition of BKM).

Topic 1: Introduction and quantitative review

BKM: Chapter 5

Topic 2: Portfolio theory

BKM: Chapters 6, 7

Topic 3: CAPM

BKM: Chapters 8, 9

Topic 4: Multifactor models and the APT

BKM: Chapters 10, 13

Topic 5: The Dimensional Fund Advisors 2002 case

Topic 6: Market efficiency, anomalies, and behavioral explanations

BKM: Chapters 11, 12

Topic 7: Investment companies and performance evaluation

BKM: Chapters 4, 24

Topic 8: Active portfolio management

BKM: Chapter 27

Topic 9: Wrap-up and review