**SYLLABUS: INVESTMENT ANALYSIS**

(FINC 404) FALL 2012

THE AMERICAN UNIVERSITY IN CAIRO

SCHOOL OF BUSINESS - DEPARTMENT OF MANAGEMENT

"It is better to have a well-structured mind than a brain full of knowledge!"

Michel de Montaigne, 16th century French philosopher

Instructor name: Dr. Pierre Rostan
Office number: 2010
Telephone: 02 2615 3271
Office hours: Monday from 5 to 645 pm, please send an email for other appointments
E-mail address: prostan@aucegypt.edu

Course Prerequisite: Finance 303

**Vision of the School of Business**
The School of Business sees itself becoming globally recognized as the leading business school connecting the region and the world.

**Mission of the School of Business**
The School of Business strives to create an environment that fosters the development of principled and innovative business leaders and entrepreneurs who can make a difference.

**Mission of the Department of Management**
Our mission is to develop business leaders who are dedicated to the betterment of society by providing a high quality business education to top caliber students from all segments of Egyptian society as well as from other countries while focusing on continuous improvement and a commitment to excellence in learning, intellectual contributions and service.

In support of this mission the department:
- Provides a high quality contemporary-style business education that blends a global perspective with national cultures and is relevant to the business needs of Egypt and the region.
- Provides programs that encourage the development of an entrepreneurial spirit that emphasizes creativity, innovation, individual initiative and teamwork
- Provides a learning environment that fosters faculty/student communication and promotes lifelong learning and career development
- Encourages faculty development activities that improve teaching, maintain competence and that keep faculty current with ideas and concepts in their field.
- Seeks to develop a portfolio of intellectual contributions to learning and pedagogy, to practice, and to the theory and knowledge base of the disciplines.
Course Outline and Objective:
This is an introductory course in the theory of investments. It provides a comprehensive coverage of basic concepts, theories, applications and decision-making rules in financial investments. In particular, the course will focus on arbitrage pricing, capital market theory, equilibrium asset pricing, equity valuation, bond pricing theorems, and derivative securities. Additionally, the course will examine the role and performance of portfolio managers, mutual funds and other investment companies. On completion, students should be knowledgeable in investment management.

Teaching Method:
The course will consist of lectures and case discussions. Lectures will emphasize theory with numerical illustrations, while the homework assignments and case studies will focus on real world examples. The course assumes that the student has a certain basic knowledge of finance, economics and statistics. Strong familiarity with Excel, is essential for tackling many of the homework assignments and cases. The workload will be quite substantial, and it is in your best interest to attend each class and be regular with all assignments. You are expected to keep in touch with the daily happenings in the financial world through journals and newspapers such as Wall Street Journal, Financial Times and The Economist.

Text and Other Reading Materials:
- Essentials of Investments, by Bodie, Kane and Marcus, 8th or 9th edition, Irwin McGraw-Hill.

Grading System:
Your performance will be evaluated on the following basis

<table>
<thead>
<tr>
<th>1-Midterm exam (30%)</th>
<th>Exams are closed book with a mixture of short answer, multiple choice and analytical problems. The final is a cumulative with a greater weight on material after the midterm.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-Final Exam (30%)</td>
<td>Presentations will be graded as participation</td>
</tr>
<tr>
<td>3-Participation (10%)</td>
<td>Students are supposed to work in teams (5 students maximum) on their Group Assignment, which is due in the last week of classes. WSS Market Simulation: <a href="http://www.wallstreetsurvivor.com">http://www.wallstreetsurvivor.com</a></td>
</tr>
<tr>
<td>4-Group Assignment (20%) Including 5% for the market simulation game*</td>
<td>All assignments must be handed as a HARD COPY in class on the due date. Late assignments will not be accepted.</td>
</tr>
<tr>
<td>5-Assignments (10%)</td>
<td>(*): The market simulation game starts on the 3rd week of the semester and finish one week before the end of the semester. On Sunday 9/16/2012, you register to WSS Market Simulation: <a href="http://www.wallstreetsurvivor.com">http://www.wallstreetsurvivor.com</a>. On the same day, you send me by e-mail your group name, members’ names, ID + PASSWORD. Your simulation starts the day after, Monday 9/17/2012. On Thursday 12/6/2012, end of simulation at the close of the semester.</td>
</tr>
</tbody>
</table>

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American markets. You will be ranked by group on your return over the period. The group with the highest return gets 5%; the group with the lowest return gets 0%.

**Attendance:**

**Students are required to attend all classes, arrive on time, and actively participate.**

Students are responsible for a) information provided, b) discussion conducted, and c) announcements made in the class (also when they are absent). If you are not able to attend a class, send your assignment on Blackboard and hand in the hard copy, when you will be able to attend. Attendance and participation contribute to 10% of the grade. For a complete explanation of AUC’s attendance policy, please visit the AUC 2012/2013 Catalog.

**The University Academic Integrity Policy:**

All students are expected to agree to and comply with the University Academic Integrity Policy which state: “Valuing the concepts of academic integrity and independent effort, the American University in Cairo expects from its students the highest standards of scholarly conduct. The University community asserts that the reputation of the institution depends on the integrity of both faculty and students in their academic pursuits and that it is their joint responsibility to promote an atmosphere conducive to such standards.” Detailed information about the University Academic Integrity Policy may be found in the University Catalog and on the University Web site.

**Topics to be covered (subject to adjustment):**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Chapter / Readings</th>
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<tbody>
<tr>
<td>Asset classes and Financial Instruments/ Portfolio Optimization</td>
<td>Chapter 2</td>
</tr>
<tr>
<td>Securities Markets/Risk and Return</td>
<td>Chapter 3</td>
</tr>
<tr>
<td>Bonds and Yields/Efficient Diversification</td>
<td>Chapter 10</td>
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<tr>
<td>Managing Bond Portfolios/Asset Pricing Models (CAPM)</td>
<td>Notes, Chapter 7</td>
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<tr>
<td>Macroeconomic and Industry Analysis</td>
<td>Chapter 12</td>
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<tr>
<td>Equity Valuation</td>
<td>Chapter 13</td>
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<tr>
<td>Financial Statement Analysis</td>
<td>Chapter 14</td>
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<tr>
<td>Technical Analysis</td>
<td>Notes</td>
</tr>
<tr>
<td>Analysis of derivative securities Futures, Options</td>
<td>Chapters 15, 16, 17</td>
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<tr>
<td>Style Analysis</td>
<td>Notes</td>
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<tr>
<td>Value at Risk</td>
<td>Notes</td>
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<tr>
<td>Tracking Error - notions of benchmarking</td>
<td>Notes</td>
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<tr>
<td>Portable Alpha</td>
<td>Notes</td>
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<tr>
<td>Active/Passive Management</td>
<td>Notes</td>
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<tr>
<td>Performance Evaluation</td>
<td>Chapter 18</td>
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Course: FIN 404

Fall 2012

Student Background Information

1. Name: ________________________________

3. ID Number: ______________

4. E-mail: ________

5. Major: ______________

6. Minor: ______________

7. Do you work?  Yes □  No □

8. If yes, company name ______________

9. Please list any work experience:

10. Please rate your mathematical background:

    [ ] Low  [ ] Medium  [ ] High

11. Please rate your computer background:

    [ ] Low  [ ] Medium  [ ] High

12. Do you have any special problem that you would like to tell the instructor?

Your signature below testifies that you have read the course syllabus and understand it. Furthermore, you plan to meet the professor’s expectations with regard to attendance, punctuality, course assignments, grading policy, and general goals and objectives.

Signature: __________________________