RUTGERS
Rutgers Business School
Newark and New Brunswick

Finance
COURSE NUMBER: 33:390:410
COURSE TITLE: Asset Pricing and Portfolio Analysis

COURSE DESCRIPTION

This course is focused on modern theories of asset pricing and portfolio management. It provides an in depth coverage of mean variance portfolio selection, efficient frontier, Markowitz portfolio selection model, single- and multi-factor index models. It also covers capital asset pricing models and the efficient market hypothesis, as well as portfolio performance evaluation, active portfolio management, and international diversification.

COURSE MATERIALS

The materials for the course consist of two textbooks and additional readings and lecture notes available for download on the course website (blackboard).

Textbook: Investments, Bodie, Kane, and Marcus, 10th Edition, Irwin-McGraw-Hill; Modern Portfolio Theory and Investment Analysis, Elton, Gruber, Brown and Goetzmann, 9th edition, John Wiley & Sons.

Blackboard: This course requires an ongoing constant use of the blackboard. All announcements, assignments, changes, etcetera are posted there. I also use Blackboard to contact you via email therefore it is important that you be sure that your correct email address is in your profile on Blackboard. You are held responsible for remaining up to date at all times and check your email frequently.

In addition to the textbook and required readings, you are encouraged to read popular financial press articles during the term. The course will occasionally discuss relevant current events. Recommended sources include:

Wall Street Journal - the old standard
Business Week - good general business magazine
Financial Times - the best international business newspaper
The Economist - the best all around source of information

EVALAUTION

The assignments involve detailed analysis of specific and sometimes complex situations. The lectures explore more general issues, or locate these exercises in a broader context by summarizing research findings. This course design is intended to provide you with both opportunities for hands-on learning and an exposure to the broader spectrum of research results. Exercise (learn by doing!) is an integral part of this course.

Class Participation	5%
Homework	5%
Exam 1	30%
Exam 2	30%
Exam 3	20%
Project	10%
Total	100%

Class Participation:

Class participation counts for 5% of your final grade. Your attendance constitutes a crucial learning experience for the class and will be recorded periodically. Presence in class permits you to listen, ask questions of clarification and engage in discussions about the topic covered. This approach is intended to create a more stimulating learning environment and provide students an opportunity to practice their communication skills, which are essential ingredient for a success business. Cold calling will routinely be used to insure that everyone participates. But equally important to class participation is your voluntary contributions, such as comments, answers, follow-up questions, and so on. All forms of class participation will be noted for grading purposes, excluding responses where the student is clearly unprepared or voluntary contributions that are clearly not helpful (just "hot air"). Staying current with the assignment preparation makes class participation easy to do and satisfying. Moreover, proper preparation will benefit you by minimizing the need for "cramming" before exams. In addition, you are responsible for knowing what goes on in class, which may include material not covered in the readings, modifications to the syllabus, and announcements concerning exams.

You are expected to attend all classes; if you expect to miss one or two classes, please use the University absence reporting website **https://sims.rutgers.edu/ssra/** to indicate the date and reason for your absence. An email is automatically sent to me.

Student athletes on recognized Rutgers University teams participating in inter-collegiate contests who expect to miss class and/or examinations due to events which conflict with class must inform the instructor of the dates on which those events will occur in writing by the end of the second week of classes. Those student athletes are then eligible for make-up examinations. Please forward those letters to my office.

Workload:

I must stress that the success of this course depends critically on your keeping up with weekly readings and assignments. It is important that you have read the assigned chapter(s) and handout(s) before you come to class. Please note that during class you may be called on to answer questions without asking for volunteers. You are allowed to discuss your work with others, but you have to type up your own answers. This investment will result in less frustration on both our parts, and a much more rewarding experience all around. Under no circumstances will I accept late homework.

Exams:

For the coverage of the exams, anything in the lectures or the reading assignments is fair game. Due to the cumulative nature of the course material, all exams will be cumulative **only** in that concepts studied in the first part of the semester will be necessary in order to understand and adequately respond to the questions posed.

If you feel that an error has been made in the grading of the question on an examination, you are encouraged to submit the exam in question for a regrade. Please note that the entire exam will be reviewed for accuracy. Regrade requests have to be submitted no more than one week after the examination in question was returned to you. Please put the examination in an envelope and on the outside label it "Finance 33:390:410:01: Exam # Regrade Request". I will do my best to review the paper promptly. **Please Note: No regrade request will be accepted if the original exam is done in pencil.**

ACADEMIC INTEGRITY

The penalties for cheating are severe. It is not worth the risk of suspension from the university to cheat. Remember that whenever you turn in your exam, you are signing it with your name. This certifies that you are the author of the submitted work and I assume that it is expression of your original ideas. You are required to write and sign the following Honor Pledge on every examination:

"I pledge, on my honor, that I have neither received nor given any unauthorized assistance on this examination."

Any unauthorized requests, receipts, offer or provisions of class related information during the administration of any examination will be considered cheating. If you importune or intentionally aid cheating, you will be subject to disciplinary action. University procedures on academic integrity will be strictly followed for students suspected of cheating. If you suspect anyone of copying from your paper during an examination, you should request a seating change since academic integrity customarily involved both the receiver and provider of information.

Special Situations:

If you have a condition that requires special attention, contact me as soon as possible so special arrangements can be made. Retroactive changes, such as re-administration of an examination or change of grade based upon previously unknown conditions will not be made.

PRELIMINARY SCHEDULE

Class	Topic	Reading
Sep 2	General overview; Math and Statistics Review	
Sep 4	Risk and Return	BCM Chap. 5;
Sep 9&11	Asset Allocation	BCM Chap. 6; EGBG Chap. 11
Sep 16&18&23	Optimal Risky Portfolio: Efficient Diversification	BCM Chap. 7 EGBG Chap.5 and 6
Sep 25&30 Oct 2	Index Models Project given and explained	BCM Chap. 8 EGBG Chap. 7, 8 and 9
Oct 14	**Exam 1**	
Oct 7&9	Active Portfolio Management	BCM Chap. 27; EGBG Chap. 27
Oct 21&23&28	The Capital Asset Pricing Model	BCM Chap. 9; EGBG Chap. 13
Oct 30 Nov 4&6	Arbitrage Pricing Theory and Multifactor Models of Risk and Return	BCM Chap. 10 EGBG Chap. 16
Nov 11	**Exam 2**	
Nov 13&18	Portfolio Management Evaluation	BCM Chap. 24; EGBG Chap. 25
Nov 20&25	International Diversification	BCM Chap. 25; EGBG Chap. 12
Dec 2&4&9	Hedge Fund	BCM Chap.26;

Thank you for cooperating, and I hope you enjoy the course!