

4814 & BA 5814 – Investment Management  
Class Time: TTh 11:00 – 12:15

<b>Instructor:</b>	Dr. Z. Nuray Güner
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<b>Online Office Hours:</b>	TTh 14:45 – 16:00
<b>Course Web Page:</b>	<a href="https://odtuclass.metu.edu.tr/">https://odtuclass.metu.edu.tr/</a> Students are a natural member of ODTUClass page of this course. Solutions to end of chapter problems, your grades, assignments and announcements will be posted there. In order to not to miss anything, please check your METU email accounts regularly.
<b>Course Description:</b>	
<p>The primary purpose in this course is to introduce students to the asset pricing models and the concepts of investments. In the first two thirds of the course, we will focus on characteristics of traditional equity and bond markets. In this section, we will also talk about one of two common analyses techniques, namely fundamental analyses, used for identifying investment alternatives. In the last one third of the course we will focus on professional portfolio management and evaluation of portfolio performance.</p> <p>Students enrolled in this course should have completed the equivalent of a course in Financial Management (BA 2802, BA 5802 or an equivalent). In addition to this, students should also have completed basic courses in economics, accounting and statistics. If you haven't taken these courses and you are still interested in taking this course, please talk to me as soon as possible.</p>	
<b>Course Student Learning Objectives: (CSLO)</b>	
<p><i>Upon successful completion of this course, students should be able to:</i></p> <p><b>Course Specific Skills:</b> Students who complete this course should be able to:</p> <ol style="list-style-type: none"> <li>1. Understand differences among characteristics of alternative investments</li> <li>2. Conduct fundamental analysis</li> <li>3. Identify and describe different types of risks inherent in each investment</li> <li>4. Understand the importance of diversification in portfolio management and its impact on portfolio risk</li> <li>5. Discuss the main differences and similarities between the CAPM and the APT</li> <li>6. Estimate the systematic risk of a security in a CAPM and APT framework</li> <li>7. Define duration and convexity, and have an understanding of their impact on bond prices</li> <li>8. Understand the principles underlying professional portfolio management and portfolio performance evaluation</li> </ol> <p><b>Discipline Specific Skills:</b> By the end of this course the students will be able to:</p> <ol style="list-style-type: none"> <li>9. Become knowledgeable about equity and bond investments, and portfolio management;</li> <li>10. Be able to apply the basic concepts of finance to valuation of different financial assets;</li> <li>11. Develop skills in financial analysis, planning, and decision-making;</li> </ol> <p><b>Personal and Key Skills:</b></p> <ol style="list-style-type: none"> <li>12. Develop problem solving skills</li> <li>13. Develop writing and discussion skills</li> </ol>	
<p>This course is going to make use of formal lectures, in-class discussions and problem solving.</p>	

<b>Required Reading:</b>				
<p><i>Investments</i> by Zvi Bodie, Alex Kane and Alan J. Marcus, Global Edition, 2011, McGraw Hill International Edition.</p> <p><u>Highly Recommended:</u> Reading Financial Magazines and financial pages of daily newspapers on a regular basis. Topics and articles found in current periodicals, as well as articles found on the internet, will be integrated into classroom discussion.</p>				
<b>Assessment and Grading:</b>				
<b>Form of Assessment</b>	<b>% Contribution</b>	<b>Size of the assessment</b>	<b>CSLOs covered by this assessment</b>	<b>Feedback Method</b>
Interim Mini Exams	69	120 minute essay-type examination (Total of 3)	1, 2, 3, 4, 5, 10, 11, 12, 13	Written and oral (during office hours)
Make-Up Exam (During the Final Exams Period)		One 120 minute essay-type comprehensive examination	3, 4, 5, 10, 11, 12, 13	Written and oral (during office hours)
Group Project and Peer Evaluation	15	Written report and peer evaluation	1, 2, 4, 9, 10, 11, 12, 13	Written and oral (during office hours)
Homework Project	10	Written report	6, 10, 11, 12, 13	Written and oral (during office hours)
Attendance and Class Participation	6	Class participation during regular lectures	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13	Oral (during class hours)
<p><u>No</u> “extra” work above the aforementioned will be accepted or credited.</p> <p><b><u>Makeup Examinations:</u></b> One comprehensive make-up exam will be given to those who missed a <b>an exam</b>. If you are going to miss an exam, please try to notify me in writing before the exam and obtain my permission for not taking the exam. Please make sure that you add all supporting documents to your letter. If you cannot notify me before the exam, then please try to do so as soon as possible after the exam in writing.</p> <p><b><u>Important Note About Re-sit (Bütünleme) Exams:</u></b> Please note that re-sit exams are <u>no longer</u> given at METU.</p> <p><b><u>Incompletes:</u></b> A grade of incomplete will <u>not</u> be granted except for the most extreme circumstances and only after stringent verification and approval by the Department. A grade of incomplete will be granted only as a result of circumstances beyond the student's control. A grade of "I" is not given in lieu of an "FF".</p>				
<b>Course Policies:</b>				
<p><b>Course Requirements:</b></p> <p><b>Class Participation:</b> The students will be assigned readings from the textbook and are <b>expected</b> to come to class prepared and ready to take part in class discussions. Therefore, attendance is strongly recommended in this class. Past experience repeatedly demonstrated that students who regularly attend class and read the chapter assignments perform <b>significantly</b> better than students who have an intermittent attendance and/or who do not keep current in reading the chapters. A student who did not participate at all but came to all the class sessions will only get 40% of the class participation grade. A seating chart is maintained and absences are recorded periodically.</p>				

**Student Pictures:** Students are required to change their photos and upload a recent picture of themselves to the METU system before class on Tuesday **October 17, 2023**. These pictures will help me learn the names of students and associate names with faces.

**Exams:** There will be 3 exams throughout the semester. These exams will be administered in the evenings and will start at 18:30 unless otherwise stated. The exams will be on closed notes and closed book basis. Please make a careful note of these examination and other due dates. These dates are fixed and non-negotiable. They will NOT be changed unless something *very important* and *unforeseeable* comes up during the term.

**Individual Homework Project:** There will be one homework project done during the semester. This homework project should be done individually and it is designed to assist you in making investment decisions. The project relates to the analysis of common stocks. In this project, students estimate the risk and expected return of a company that they choose in a CAPM and APT framework. Details on these projects will be provided later in the semester. Due date for this assignment is shown on the tentative course outline. Any unexpected changes to this due date will be announced well in advance in class. Late assignments will not be accepted under any circumstances. This homework project will comprise 10% of your course grade and have to be submitted to TurnItIn before class on **December 7, 2023**.

### **Group Project: Portfolio Formation Exercise**

In an effort to integrate actual investment decision making into the classroom setting, students will write a report on how to form a portfolio of securities listed on the Istanbul Stock Exchange. Students will be assigned to groups of 4 or 5 members by the instructor. Each group will create an investment portfolio of 250,000 YTL. This money can only be invested in stocks trading on the ISE. Groups submit their report that explains their investment strategy on **January 23, 2024 by 12:00**.

Since this is a group project, each of you will be required to evaluate the contribution of your groupmates to the success of your group. This evaluation will be done during the final exam and will have a weight of 20% in your grade on Portfolio Formation Exercise.

**Reading Assignments:** The following pages give the schedule for the reading assignments. The lectures will stress the most important and/or most difficult material. The students are required to read the chapters before they are covered in class.

**STUDENT DISABILITIES:** Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; [engelsiz@metu.edu.tr](mailto:engelsiz@metu.edu.tr)) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

**ACADEMIC DISHONESTY:** The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BS/MBA degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

**CHEATING:** All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty or the Graduate School of Social Sciences for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

**PLAGIARISM:** The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately. Persons observed to plagiarize while preparing assignments will be referred to the Dean of the Faculty or the Graduate School of Social Sciences for additional disciplinary action and also they will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

### **METU HONOR CODE**

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

**CIVILITY IN THE CLASSROOM:** Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the classroom experience is improved when the following are true:

**Students arrive on time.** Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

**Students are fully prepared for each class.** Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

**Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

**Phones and wireless devices are turned off.**

**STUDENT EXCUSES:** Unless you inform me in advance, I will not excuse you from any of the grade requirements. At the same time, this does not mean that I will allow you to miss a test or an assignment with any excuse that you present to me. Please note that the excuse is acceptable for only the most extreme circumstances and only after stringent verification and approval by the Department.

**KNOW YOUR RIGHTS AND RESPONSIBILITIES!** <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

**NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR!**  
<http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

**Notes:**

- Usage of cell phones is strictly prohibited during class. Please be courteous to your classmates and me and make sure that your phones are on silent mode before the class begins.
- Please arrive on time and do not enter the classroom if I already have closed the classroom doors. If you have to leave early, please inform me in advance. If, due to uncontrollable circumstances, you end up being late for class, please wait outside until the first in-class break during which I will open the classroom door and let you in.
- You are encouraged to come to my online office hours for questions, concerns, or, suggestions. Outside the office hours, please make an appointment with me in advance, before or after the class, via phone or e-mail. For quick questions that you may have, note that e-mailing is a very effective means of communicating with me.

**Good luck to all of you and let's have a very enjoyable semester together!!**

**Don't be Trashy. Recycle.**

**Do not throw items away in the trash that should go into the recycling bin. Show a little class.**

**RECYCLING  
WORKS**

**Color Coded Tentative Class Schedule (subject to change)**Students Assignments and due dates are shown in **Blue**.Exam dates are shown in **Purple**.Extra Class Sessions are shown in **Hot Pink**.

Color Coded Tentative Course Schedule				
Month	Day	Topic	Reading/ Assignment	CSLO
<b>October</b>	3	The Investment Environment	Chapter 1	
	5	Macroeconomic and Industry Analysis	Chapter 17	
	10	Macroeconomic and Industry Analysis (cont.'d) Equity Valuation Models	Chapter 17 Chapter 18	
	12	Equity Valuation Models (cont.'d)	Chapter 18	
	17	Calculation of Indices and How Securities are Traded	Chapter 2 Chapter 3	
	17	<b>Deadline to upload a recent photo to METU System</b>		
	19	How Securities are Traded (cont.'d)	Chapter 3	
	24	Capital Allocation to Risky Assets	Chapter 6	
	26	Capital Allocation to Risky Assets (cont.'d)	Chapter 6	
	31	Optimal Risky Portfolios	Chapter 7	
<b>November</b>	2	Optimal Risky Portfolios (cont.'d)	Chapter 7	
	3	<b>First Exam (Chap. 1, 17, 18, 2 and 3)</b>		
	7	Optimal Risky Portfolios (cont.'d)	Chapter 7	
	9	The Capital Asset Pricing Model	Chapter 9	
	11	<b>Extra Session – Saturday 10:15-13:00</b> The Capital Asset Pricing Model (cont.'d) Arbitrage Pricing Theory and Multifactor Models of Risk and Return	Chapter 9 Chapter 10	
	14	Index Models	Chapter 8	
	16	The Efficient Market Hypothesis	Chapter 11	
	21	The Efficient Market Hypothesis (cont.'d)	Chapter 11	
	23	The Term Structure of Interest Rates <i>Students should review Chapter 14 on their own.</i>	Chapter 15	
	25	<b>Extra Session – Saturday 10:15-13:00</b> The Term Structure of Interest Rates (cont.'d) Managing Bond Portfolios	Chapter 15 Chapter 16	
	28	Managing Bond Portfolios (cont.'d)	Chapter 16	
	30	Managing Bond Portfolios (cont.'d)	Chapter 16	
<b>December</b>	1	<b>Second Interim Exam (Chap. 6, 7, 8, 9, 10, and 11)</b>		
	5	Portfolio Performance Evaluation	Chapter 24	
	7	Portfolio Performance Evaluation (cont.'d)	Chapter 24	
	7	<b>Individual Homework Project is due in class</b>		
	12	International Diversification	Chapter 25	
	14	Mutual Funds and Other Investment Companies	Chapter 4	
	19	Hedge Funds (cont.'d)	Chapter 26	
	21	Question and Answer Session		
	26	No class		
	27	<b>Third Exam (Chap. 4, 15, 16, 24, 25 and 26)</b>		
	28	No class		
<b>January</b>	2	No class		
	4	No class		
	23	<b>Group Report on Portfolio Formation Exercise is due at 12:00</b>		
	27	<b>Comprehensive Make-Up Exam</b>		