

### COURSE INFORMATION

Course title:	<b>Investments &amp; Asset Pricing</b>		
Course code:	<b>BAFI 511</b>	Credits:	1.5
Session, term, period:	2023 W1 (Sep-Oct 2023)	Class location:	HA 254 / HA 133
Section(s):	DD1 / DD2	Class times:	MW(F): 8-10 / 10-12
Division:	Finance	Pre-requisites:	BAFI 500 or COMM 421
Program:	<b>Master of Management</b>		Basic Statistics/Accounting

### INSTRUCTOR INFORMATION

Instructor:	Professor Glen Donaldson	Office Location:	HA881 and Online
Phone:	604-822-8344	Office hours:	By appointment
Email:	glen.donaldson@sauder.ubc.ca		

### COURSE DESCRIPTION

This finance course deals with a range of issues in investments and asset pricing, including:

- Financial instruments including stocks, bonds, and derivative securities
- The nature of risk and return, diversification, asset allocation in investing
- Asset pricing models (CAPM), risk premia, applications in financial valuation
- Fundamentals of risk management and hedging, futures/swaps/options
- Securitization, roles of financial institutions including investment banks

### COURSE FORMAT

Classes consist primarily of lectures and discussions in which students are expected to participate. Students are also expected to work through applied problems both in and outside of class, keep a daily journal of independent learning and course participation throughout the course, and complete a project involving finance research and analysis. The majority of classes are intended to be live in-person which students are expected to attend live and in person (if a move to online occurs, a Zoom link will be provided to students via Canvas notification or similar means).

### LEARNING OBJECTIVES

By the end of this course, students should be able to analyze, apply and explain fundamental issues, concepts and methods in basic investments and asset pricing.

### SUSTAINABLE DEVELOPMENT GOALS (SDGS)

One of the ways UBC Sauder is demonstrating its commitment to responsible business is by noting certain course content via the lens of [United Nations Sustainable Development Goals](#) (UNSDG). As can be seen from the course description above and class schedule below, this course touches on topics related to: financial institutions, instruments, services and infrastructure (elements of UNSDG 8, 9, 16).

### ASSESSMENTS

Quizzes (four in-term quizzes, 10% each)	40%
Participation - Journal	10%
End-of-Term Project	50%
<b>Total</b>	<b>100%</b>

## LEARNING MATERIALS

### Textbook - REQUIRED:

*Fundamentals of Corporate Finance, 4<sup>th</sup> Canadian Edition*, by Jonathan Berk, Peter DeMarzo, David Stangeland, Andras Marosi and Jarrad Harford; Pearson Canada, 2023

(note: 3<sup>rd</sup> Canadian Edition is also acceptable if you already own it – the Berk book was used in prior finance courses BAFI 500 and COMM 421).

### Optional Additional Learning Resources – NOT REQUIRED but may be useful for some students:

Book regarding derivatives, optional: *Fundamentals of Futures and Options Markets, 9<sup>th</sup> Edition*, by John Hull, Pearson, 2021. (Prior/later editions are also acceptable).

## COURSE-SPECIFIC POLICIES AND RESOURCES

### *No Distribution of Recordings*

Other than as announced in class, there is no distribution of recordings of class and classes will not be live-streamed or recorded and you may not record classes or have classmates record classes for you. Your attendance in class is expected. If you are unable to attend, the policies regarding academic concessions and attendance described in this syllabus apply. It is your responsibility to ensure that you have the materials you need for missed classes. It is strongly recommended that you make arrangements at the start of the semester for materials in case you miss class (for instance, you may wish to exchange contact information with a classmate who can provide you with notes in the event you miss class). If you believe you are an exceptional case that merits special consideration, please promptly reach out to RHL Sauder to advise them of your circumstances and then work with RHL to contact the instructor.

### *Academic Concessions*

If extenuating circumstances arise, including those that result in missed classes or assignments or other deliverables, please contact the RHL Graduate School program office as early as reasonably possible, and submit an [Academic Concession Request & Declaration Form](#). If an academic concession is granted during the course, the student will be provided options by RHL, or by the instructor in consultation with RHL, per [UBC's policy on Academic Concession](#).

### *Missed or late assignments, and regrading of assessments*

Late submissions, or missed exams/quizzes, will receive a grade of zero unless academic concession is granted as explained herein. Requests for regrades must be submitted in writing, within 24 hours of the initial grade being posted, specifying in detail the believed grading error – if a regrade is granted the entire assignment/quiz will be regraded and the grade may rise, fall or remain unchanged as a result.

### *Policies for Illness and Attendance & Academic Concessions:*

If a student feels unwell, they should stay home and send a courtesy email to each impacted instructor and cc their program manager. The student should also submit an [Academic Concession Request & Declaration Form](#). If a student suspects possible COVID-19 infection, they should use the BC Ministry of Health's [self-assessment tool](#), to help determine whether further assessment or testing for COVID-19 is recommended.

### *Centre for Accessibility*

The [Centre for Accessibility](#) (CfA) facilitates disability-related accommodations and programming initiatives designed to remove barriers for students with disabilities and ongoing medical conditions. If

you are registered with the CfA and are eligible for accommodations, it is your responsibility to coordinate with the CfA, RHL and instructor.

### POLICIES APPLICABLE TO COURSES IN THE ROBERT H. LEE GRADUATE SCHOOL

#### *Attendance*

Excepting extenuating circumstances, students are expected to attend 100% of their scheduled class hours. Absent students limit their own academic potential, and that of their classmates, and cause unnecessary disruption to the learning environment. Students missing more than 20% of the total scheduled class hours for a course (including classes held during the add/drop period) without having received an academic concession will be withdrawn from that course. Withdrawals, depending on timing, could result in a “W” or an “F” standing on the transcript.

#### *Punctuality*

Students are expected to arrive for classes and activities on time and fully prepared to engage. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving later than halfway through a scheduled class will be treated as absent for that class.

#### *Electronic Devices*

Devices such as laptops, tablets, and cell phones are not permitted to be used in class unless directed by the instructor for in-class activities. Students who do not follow the School’s policy in this regard may be required to leave the room for the remainder of the class, so that they do not distract others. Research shows that students’ use of laptops in class has negative implications for the learning environment, including reducing their own grades and the grades of those sitting around them.

#### *Citation Style*

Please use the American Psychological Association (APA) reference style to cite your sources.

Details of the above policies and other RHL Policies are available at:

<http://www.calendar.ubc.ca/vancouver/index.cfm?tree=12,199,506,1625>

### UNIVERSITY POLICIES AND RESOURCES

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions. Details of the policies and how to access support are available on the UBC Senate website at <https://senate.ubc.ca/policies-resources-support-student-success>.

#### *Respect for Equity, Diversity, and Inclusion*

The UBC Sauder School of Business strives to promote an intellectual community that is enhanced by diversity along various dimensions including status as a First Nation, Metis, Inuit, or Indigenous person, race, ethnicity, gender identity, sexual orientation, religion, political beliefs, social class, and/or

disability. It is critical that students from diverse backgrounds and perspectives be valued in and well-served by their courses. Furthermore, the diversity that students bring to the classroom should be viewed as a resource, benefit, and source of strength for your learning experience. It is expected that all students and members of our community conduct themselves with empathy and respect for others.

### *Respectfulness in the classroom*

Students are expected to be respectful of their colleagues at all times, including faculty, staff and peers. This means being attentive and conscious of words and actions and their impact on others, listening to people with an open mind, treating all UBC Sauder community members equally and understanding diversity. Students who act disrespectfully toward others will be asked to leave the class and be marked as absent for the day. They may also be removed from a team, lose credit for in-class assessments and activities, or be asked to complete a group assignment individually.

### *Academic Integrity*

The academic enterprise is founded on honesty, civility, and integrity. As members of this enterprise, all students are expected to know, understand, and follow the codes of conduct regarding academic integrity. At the most basic level, this means submitting only original work done by you and clearly acknowledging all sources of information or ideas (including without limitation on-line sources, websites, and Artificial Intelligence tools, for example Chat) and attributing them to others as required. This also means you should not cheat, copy, or mislead others about what is your work nor should you help others to do the same. For example, it is prohibited to: share past assignments and answers with other students; work with other students on an assignment when an instructor has not expressly given permission to do so; or spread information through word of mouth, social media, or other channels that subverts the fair completion or evaluation of a class exercise or assessment. Violations of academic integrity (i.e., misconduct) lead to the breakdown of the academic enterprise, and therefore serious consequences arise and harsh sanctions are imposed. For example, incidences of plagiarism or cheating may result in a mark of zero on the assignment or exam and more serious consequences may apply if the matter is referred to the President's Advisory Committee on Student Discipline. Careful records are kept in order to monitor and prevent recurrences.

### *Use of Artificial Intelligence*

For this course, students may use generative artificial intelligence (AI), including ChatGPT, for specific assessments or coursework provided that such use is clearly acknowledged including full and proper attribution including citations, quotations and references, all subject to the preceding paragraph regarding academic integrity.

### **COPYRIGHT**

All materials of this course (course handouts, lecture slides, assessments, course readings, etc.) are the intellectual property of the instructor or licensed to be used in this course by the copyright owner. Redistribution of these materials by any means without permission of the copyright holder(s) constitutes a breach of copyright and may lead to academic discipline and could be subject to legal action. All lecture recordings are for the sole use of the instructor and students enrolled in the class. In no case may lecture recordings, or part of the recordings, be used by students for any other purpose, either personal or commercial. Further, audio or video recording of classes are not permitted without the prior consent of the instructor. Students may not share class Canvas or Zoom links or invite others who are not registered to view sessions or access material.

### ACKNOWLEDGEMENT

UBC's Point Grey Campus is located on the traditional, ancestral, and unceded territory of the xwməθkwəyəm (Musqueam) people, who for millennia have passed on their culture, history, and traditions from one generation to the next on this site.

### ONLINE TEACHING TOOL & REQUIREMENTS

This course may be taught using Zoom for some office hours, and potentially some classes if the Health Officer or UBC so determines. For this course, you are required to use a Zoom account during such times. If you do not have a Zoom account, you can create one here: <https://zoom.us/signup>. Note: creating a Zoom account requires that you provide a first name, last name, and email address to Zoom. For privacy purposes, you may consent to using your existing email address and your real name. Alternatively, if you prefer, you may sign up using an alternative email address and an anonymized name that does not identify you (i.e. Jane Doe, [jane.doe@email.com](mailto:jane.doe@email.com)). If you have trouble creating an account, or accessing a Zoom session, please contact [CLCHelp@sauder.ubc.ca](mailto:CLCHelp@sauder.ubc.ca). You will be required to provide the email address associated with your Zoom account in a Canvas quiz for identification purposes. Students are expected to conduct themselves professionally by joining online sessions on time, muting mics when not speaking, refraining from using any other technology when in-session, attending in business casual attire (at a minimum), and participating from a quiet environment.

### COURSE SCHEDULE (SUBJECT TO CHANGE)

Class	Topics	Readings	Assessment
Class 1 M Sep 11	introduction to the course refresher on bonds, stocks, financial valuation	Ch 1,2,3,4,5,6,7	
Class 2 W Sep 13	measuring investment returns and volatility nature of returns and volatility in financial markets	Ch 10 Ch 10, 11	Quiz 1: due 11:59pm Sep 17
Class 3 M Sep 18	portfolios diversification effects, asset allocation Beta, intro to the Capital Asset Pricing Model (CAPM)	Ch 11 Ch 11	
Class 4 W Sep 20	portfolios and the CAPM, asset pricing CAPM and WACC in corporate finance	Ch 11 Ch 12	Quiz 2: due 11:59pm Sep 24
Class 5 M Sep 25	risk, insurance and asset pricing forward contracts, swaps	Ch 21 Ch 21	
Class 6 W Sep 27	hedging with futures options basics	Ch 21 Ch 13	Quiz 3: due 11:59pm Oct 1
Class 7 W Oct 4	option prices and sensitivities applied option pricing	Ch 13 software	
Class 8 F Oct 6	investment strategies using derivatives securitization and the creation of new assets	Ch 13 Ch 1	Quiz 4: due 11:59pm Oct 8
Class 9 W Oct 11	international finance, investments, institutions risks in risk management, regulation, governance	Ch 22 Ch 21, 25	
Class 10 F Oct 13	investment research course wrap-up	Ch 1, 2	
Final Project	research project: see Canvas for details		Project due TBA – see Canvas