

COURSE INFORMATION

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|------------------------|-----------------------------|-----------------|----------------------|
| Course title: | Investments & Asset Pricing | Credits: | 1.5 |
| Course code: | BAFI 511 | Class location: | Online |
| Session, term, period: | 2020 W2 | Class times: | T/Th: 8-10am |
| Section(s): | MM1 | Pre-requisites: | COMM 421 or BAFI 500 |
| Division: | Finance | Co-requisites: | None |
| Program: | Master of Management | | |

INSTRUCTOR INFORMATION

| | | | |
|-------------|------------------------------|------------------|-------------------------|
| Instructor: | Professor Glen Donaldson | Office Location: | HA881 (meetings 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 – stocks, bonds, derivative securities
- The nature of risk and return, risk premia in investments
- Asset pricing models, including the CAPM
- Fundamentals of risk management and hedging investments
- Securitization and roles of financial institutions including banks

COURSE FORMAT

We will use Zoom to have our classes during the scheduled class times. 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 journal of independent learning and course participation, and complete a group project involving finance research and analysis.

Join Zoom Meeting

<https://ubc.zoom.us/j/63164548723?pwd=YVVrVmhiUWV3RjExMkwyVUQxcXdKUT09>

Meeting ID: 631 6454 8723

Passcode: 587281

LEARNING OBJECTIVES

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

ASSESSMENTS

| | |
|--|-------------|
| Quiz 1 (online problem set) | 10% |
| Quiz 2 (online problem set) | 10% |
| Quiz 3 (online problem set) | 10% |
| Quiz 4 (online problem set) | 10% |
| Course Journal (learning and participation) | 10% |
| Term Project (group research/analysis project) | 50% |
| Total | 100% |

LEARNING MATERIALS

Textbook:

Fundamentals of Corporate Finance, Third Canadian Edition, by Jonathan Berk, Peter DeMarzo, Jarrad Harford, David Stangeland and Andras Marosi. Pearson Canada 2020

Other Learning Resources:

1. MyFinanceLab (access is acquired when purchasing the Berk textbook above) – contains practice problems. MyFinanceLab Course ID: **donaldson77423**
2. Useful reference book, optional not required: *Fundamentals of Futures and Options Markets, 9 Edition*, by John Hull, Pearson 2017.

COURSE-SPECIFIC POLICIES AND RESOURCES

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 (see below).

Academic Concessions

If extenuating circumstances arise, please contact the RHL Graduate School program office as early as reasonably possible, and submit an [Academic Concession Request & Declaration Form](https://webforms.sauder.ubc.ca/academic-concession-rhlee) <https://webforms.sauder.ubc.ca/academic-concession-rhlee>. 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](#).

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

During online lectures, students are not permitted to use any electronic devices other than the primary one used for attending the online lecture (e.g. laptop or desktop). Only Zoom should be open during the online lecture unless an instructor advises the use of another for an in-class activity. Feedback from students indicates that personal devices is the number one distraction from effective learning and participation in the online learning environment.

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.

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 acknowledging all sources of information or ideas 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; or spread information through word of mouth, social media, or other channels that subverts the fair 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.

Academic Freedom and Students Studying from Outside Canada

During this pandemic, the shift to online learning has greatly altered teaching and studying at UBC, including changes to health and safety considerations. Keep in mind that some UBC courses might cover topics that are censored or considered illegal by non-Canadian governments. This may include, but is not limited to, human rights, representative government, defamation, obscenity, gender or sexuality, and historical or current geopolitical controversies. If you are a student living abroad, you will be subject to the laws of your local jurisdiction, and your local authorities might limit your access to course material or take punitive action against you. UBC is strongly committed to academic freedom, but has no control over foreign authorities (please visit <http://www.calendar.ubc.ca/vancouver/index.cfm?tree=3,33,86,0> for an articulation of the values of the University conveyed in the Senate Statement on Academic

Freedom). Thus, we recognize that students will have legitimate reason to exercise caution in studying certain subjects. If you have concerns regarding your personal situation, consider postponing taking a course with manifest risks, until you are back on campus or reach out to your academic advisor to find substitute courses. For further information and support, please visit: <http://academic.ubc.ca/support-resources/freedom-expression>

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 Zoom links or invite others who are not registered to view sessions.

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 will be taught using Zoom for synchronous classes and office hours.

For this course, you are required to use a Zoom account during synchronous classes and office hours. 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). If you have trouble creating an account, or accessing a Zoom session, please contact 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.

To help replicate the classroom experience, make sessions more dynamic and hold each person accountable, both students and instructors are required to have their cameras on during Zoom sessions. Students who require an accommodation with regard to the "camera on" requirement must contact their instructors in advance of the first class to discuss options. Students are expected to conduct themselves professionally by joining 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. Content from synchronous sessions will be selectively recorded per instructor discretion and made available to students on Canvas for a maximum duration of the course length. This is done to allow students the opportunity to return to lecture content to solidify learnings.

== class schedule on the following page ==

COURSE SCHEDULE
(Subject to change)

| Class | Topics | Readings | Assessment |
|--------------------|--|--|---------------------------------|
| Class 1 Apr 13 | introduction to course refresher on bonds, stocks, financial valuation | Ch 3, 4, 5, 6, 7 | |
| Class 2 Apr 15 | nature of risk and return in financial markets systematic risk vs idiosyncratic risk | Ch 10 (1 st half) Ch 10 (2 nd half) | Quiz 1: due 8am Apr 20 |
| Class 3 Apr 20 | return and volatility in investment portfolios correlation and diversification in investment portfolios | Ch 11 (1 st quarter) Ch 11 (2 nd quarter) | |
| Class 4 Apr 22 | measuring systematic risk, beta the Capital Asset Pricing Model (CAPM) | Ch 11 (3 rd quarter) Ch 11 (4 th quarter) | Quiz 2: due 8am Apr 27 |
| Class 5 Apr 27 | asset pricing applications in corporate finance insurance and the CAPM | Ch 12 (1 st half) Ch 21 (1 st third) | |
| Class 6 Apr 29 | hedging and forwards/futures swaps | Ch 21 (2 nd third) Ch 21 (3 rd third) | Quiz 3: due 8am May 4 |
| Class 7 May 4 | option payoffs and investment strategies option pricing | Ch 13 (1 st half) Ch 13 (2 nd half) | |
| Class 8 May 6 | applications, pricing investment banking, securitization | software Hull Ch 8 /notes | Quiz 4: due 8am May 11 |
| Class 9 May 11 | multifactor asset pricing models investment research, tools, alternative investments | Ch 11 (appendix) Ch 1, 2 | |
| Class 10 May 13 | investment mishaps, risk and governance (no live class watch taped lecture any time) | Berk Ch 25, Hull Ch 25 /notes | Course journal due 8a May 22 |
| Final Project | project: analyze and compare at least two companies in an industry from the viewpoint of potential investor | | due 11:59pm May 22 |