



FI5601 – Investment Management

MODULE TYPE/SEMESTER: Core (20 credits), Semester 1

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AIM:

This module introduces the fundamental concepts of investment management. Investments cover real economic projects such as those undertaken by corporations and governments, as well as financial instruments, which are regularly priced and traded in financial markets. The ultimate aim is to provide the student with a structured approach to defining, measuring and predicting the value of investments in multiple asset classes including corporate investments, a wide range of corporate liabilities such as equities and bonds, and associated financial contracts such as options. The trade-off between risk and return is defined, a clear distinction between passive and active investing is established and key market equilibrium models of how risks and returns are determined at individual and portfolio levels are carefully analyzed. The module presents the recent developments in financial industry, with a special focus on trading strategies in popular asset classes, various types of investment techniques and performance measurement.

METHOD OF TEACHING AND LEARNING:

One two-hour lecture per week, supplemented by tutorials.

LEARNING OUTCOMES:

- Understand the mechanics of financial markets, characteristics of different financial assets and modern security valuation techniques.
- Clearly distinguish between active and passive investing, tactical and strategic asset allocation and be well-equipped with the tools for active investment analysis.
- Introduce techniques for portfolio construction, the importance of trading costs and risks in portfolio implementation.
- By the end of the course, students are expected to be well-prepared to start a career in asset, private wealth, endowment or pension fund management.

INDICATIVE TOPICS:

- Week 1: Financial Markets, Instruments and Investors
- Week 2: Investment Theory & Implications for Passive Investing
- Week 3: Equilibrium Models in Capital Markets
- Week 4: Transition to Active Investment Management: Factor Investing
- Week 5: Efficient Market Hypothesis and Efficiently Inefficient Markets
- Week 6: Independent Learning Week
- Week 7: Equity Securities: Valuation, Strategies and Management
- Week 8: Fixed-Income Securities: Valuation, Strategies and Management
- Week 9: Derivative Securities: Options as Tools for Risk Management
- Week 10: Performance Measurement and Attribution
- Week 11: Buffet's Portfolio Performance and Revision
- Week 12: Independent Revision (self-study)

ASSESSMENT:

- A class test (25%)
- A group project (25%)
- Two-hour written examination (50%)

READING LIST:

CORE TEXTBOOKS:

- Bodie, Z., Kane, A. and Marcus, A. J., *Investments*, McGraw-Hill Education, 10th, 11th or 12th edition
- Pedersen, L. H., *Efficiently Inefficient: How Smart Money Invests & Market Prices are Determined*, Princeton University Press

SUPPLEMENTARY TEXTBOOKS:

- Brown, K. and Reilly, F., *Analysis of Investments and Management of Portfolios*, Cengage Learning, 10th edition (International Edition)
- Elton, E. J., Gruber, M. J., Brown, S. J. and Goetzmann, W. N., *Modern Portfolio Theory and Investment Analysis*, John Wiley, 8th edition
- Grinold, R. C. and Kahn, R. N., *Active Portfolio Management: A Quantitative Approach for Providing Superior Returns and Controlling Risk*, McGraw-Hill, 2nd edition

Additional reading materials will be provided in the lectures.

Organisation of courses may be subject to change without notice.