



FIN 412: Investment Principles
University of Alberta, Alberta School of Business
Department of Finance
Fall 2023 Syllabus

Instructor:	Runjing Lu	Course website	eClass
Email:	runjing1@ualberta.ca	Recorded lectures	Asynchronous on eClass Pre-midterm: Mondays Post-midterm: Wednesdays
Office hours:	Wednesday 7:00-9:00PM Zoom (Passcode: 412) 20-min block, schedulable on Google Calendar	Live lectures	In-person Pre-midterm: Wednesdays Post- midterm: Mondays A4: 09:30-10:50AM BUS B-09 A5: 11:00-12:20PM BUS B-09
TA:	Miranda Liu (xinmei2@ualberta.ca)		
Discord:	https://discord.gg/8nnbjnBq		

Learning Objectives

This course is about the risk and return of financial assets. The goal is to give you the tools you need to build better portfolios for yourselves or for future clients. To do this, the course will provide a sense about how financial assets and investors behave as well as a framework for thinking about issues in investment theory and practice. Given the vastness of the field and our limited time, our coverage will sacrifice depth for breadth. We will cover a host of topics with varying intensity. Such topics include institutional detail, the theory of portfolio selection and capital market equilibrium, market efficiency, behavioral finance, and equity analysis. If time permits, we may cover additional topics. By the end of this course, I hope you will have a broad sense of our understanding of theory and practice as it stands now and a clear idea of fruitful starting points for analyzing investment decisions.

Learning Goals: Business Concepts and Theories; Business Communication; Teamwork

Flipping the Classroom

In recent years, pedagogical research has shown the merits of “inverting” or “flipping” the classroom. This approach introduces students to course materials outside of (and, generally, before) class, reserving in-class time for working through more difficult course material, student inquiry, and application. In this course, we will employ this pedagogical method.



Approximately half (depending on the course material) of the instruction for this course will be provided beforehand via pre-recorded video clips and PDF slides. The material covered in these asynchronous sessions will include more straightforward concepts and techniques. Video clips and PDF slides for the asynchronous material will be posted on eClass a week prior to the live session. Students are expected to be well-versed with all asynchronous material prior to the live session.

The live session are in-person and cover the more nuanced or complex topics as well as practice problems. Slides for the live-session material will be posted before the lecture but with missing answers for practice problems. Slides with answers will be posted after the lecture.

Office Hours

Office hours will be held via [Zoom](#) (passcode: 412) on Wednesday 7:00 – 9:0 PM. Students can sign up for meetings of 20 minute via [Google Calendar](#). Please schedule by Tuesday night so I can better plan for the day.

Prerequisites and Background

This is a quantitative course and draws upon analytical tools and theories developed throughout the course. You must be comfortable with concepts of probability, measures of location (i.e., mean) and dispersion (i.e., variance or standard deviation), and linear regression analysis (e.g., Ordinary Least Square). These materials are usually taught in probability & statistics class or in econometrics class. Calculus and linear algebra (e.g., addition, subtraction, multiplication, division, how to use X equations to solve for X unknowns, how to use first order conditions to solve optimization problem) will also be useful. Use of Excel is essential for assignments; you should be familiar with IF() and other common functions in Excel.

Required Text

BKM: *Investments, 10th Canadian Edition*, by Zvi Bodie, Alex Kane, Alan J. Marcus, Lorne Switzer, Maureen Stapleton, Dana Boyko, & Christine Panasian, McGraw Hill-Ryerson, 2022 (ISBN-13: 978-1260881257).

You can (try to) use another edition of the text. However, any references I make to the text will be to the edition specified above. I will not be able to provide a mapping of my references to other editions of the book. Any material that appears in a chapter of the book that I have covered is fair game for exams.

Evaluation

The following table explains how your performance in the course will be evaluated. The dates provided are tentative and may change. If they do, I will give you as much advance notice as possible.

	Weight	Due date
Participation	5%	

Weekly quiz	5%	9am on live lecture days
Assignment 1	10%	Oct 30 2023
Assignment 2	10%	Dec 10 2023
Peer evaluation	5%	Dec 11 2023
Midterm exam	30%	Oct 30 2023
Final exam	35%	TBD

Participation (5%)

Participation is a key element of your ability to adequately learn the course material. Examples of quality participation include questions/comments/answers during live lectures and well-prepared use of office hours. I will ask you to think in class, possibly on material that you haven't fully absorbed yet. You do not need to provide correct answers as this course is meant to be a learning process. I will adjust participation scores upward for making an effort and may adjust it downwards for disruptive behavior.

If you have spoken up in a live lecture, please submit a piece of paper with your information (first name, last name, student ID) to me after the lecture so I could record your participation.

It would be helpful for you to upload a profile picture to your eClass profile (see [here](#) for instruction on how to do it) so I can better associate your face with your name and assign you participation score.

Weekly quizzes (5%)

There are 10 weekly quizzes administered via eClass. The weekly quiz is designed to test your basic understanding of the recorded material that you should know before each week's live lecture. **Weekly quiz are posted one week in advance and due at 9am on the live lecture day.** Students who miss a quiz will not be given a make-up quiz. There is no quiz due for our introductory live lecture on September 6, 2023.

Assignments (10% x 2)

There are two assignments in this course. The assignment will be posted on eClass roughly one month before the due date. Late assignments will not be accepted, and no extensions will be granted. A grade of zero will be assigned if you do not submit an assignment or if your assignment is late.

Assignments should be done in groups (3-4 students per group), and group members can be from either A04 or A05 sessions of FIN 412. **Please submit your assignment group member list by September 27, 2023.** To do so, send one email per group containing your members' full names and session numbers with subject line "FIN 412 assignment group" to Teaching Assistant Miranda Liu (xinmei2@ualberta.ca). For students who do not belong to any group list submitted by the deadline, I will group you with another 2-3 students randomly.

I have created a discord server (<https://discord.gg/8nnbjnBq>) so you can connect with fellow students and form assignment groups. Please be friendly and respectful there. Note that I will not monitor the channel or answer questions on it. If you have questions or comments for me, please email me or ask me after class / during office hours.

Peer evaluation (5%)

At the end of the semester, I will ask you to evaluate your group members about their participation in assignments (and vice versa). I will consider your feedback in assigning them peer evaluation points. **Please**



submit your peer evaluation to eClass by Dec 11, 2023. If you do not submit by then, I will assume you give the highest score possible to all your group members.

Below is the peer evaluation form we will use at the end of the semester:

Please assess the work of your group members using the following criteria.

2 = Excellent work; was crucial to group’s success

1 = Sufficient effort; contributed adequately to group

0 = Little or no effort; did not contribute or was detrimental to group

_____ Participation in developing ideas or planning project

_____ Participation in leading or facilitating discussion

_____ Cooperation with other group members

_____ Ease and familiarity with the materials

Exams (30% + 35%)

There are two exams in this course. The midterm exam covers the first half of the course. The final exam is cumulative and covers all the material in the course, though it puts more emphasis on the later material. Both exams are multiple-choice questions. Both exams are closed-book, but students are encouraged to bring a double-sided letter size “cheat sheet” and use a calculator. I reserve the right to request the cheat sheet after the exam.

Exams are administered via eClass and proctored in person, so you will need a laptop (or tablet) with internet access to take the exam. More details about the logistics will be provided when it gets closer to the exams.

Please read “Important Notes” below carefully for details about exam policies.

Schedule

Date	Live lecture topic / activity	BKM Chapters
Sep 6 2023	Introduction	
Sep 13 2023	Background & Review	1-3
	Quiz 1 due at 9am	
Sep 20 2023	Return & Risk	5
	Quiz 2 due at 9am	
Sep 27 2023	Risk Aversion & Capital Allocation	6
	Quiz 3 due at 9am	
	Assignment group list due at midnight	
Oct 4 2023	Optimal Risky Portfolios	7
	Quiz 4 due at 9am	
Oct 11 2023	CAPM	9
	Quiz 5 due at 9am	
Oct 18 2023	Behavioural Finance	12

	Quiz 6 due at 9am	
Oct 25 2023	Midterm Review & Assignment Lab (online via Zoom)	
Oct 30 2023	Midterm Exam (in person, in class)	
	Assignment 1 due at midnight	
Nov 6 2023	Index Models (live lectures on Mondays from now on)	8
	Quiz 7 due at 9am	
Nov 13 2023	Reading week (no class)	
Nov 20 2023	Factor Models & APT	10
	Quiz 8 due at 9am	
Nov 27 2023	Market Efficiency	11
	Quiz 9 due at 9am	
Dec 4 2023	Derivative Securities	20
	Quiz 10 due at 9am	
Dec 6 2022	Final review	
Dec 10 2023	Assignment 2 due at midnight	
Dec 11 2023	Peer evaluation due at midnight	
TBD	Final Exam (in person)	

Study Tips

Keep up with asynchronous material

As we only cover difficult material in the live lectures, it is important that students know the more fundamental, easier material *before* the live lectures. This is why I post materials a week before the live lectures and require you to take the weekly quiz.

Attend and participate in class

The course is built around our once-a-week live lectures. In each lecture, I intend to present the more difficult concepts and practice problems to aid your understanding.

Furthermore, I encourage you to ask questions and answer questions during live lectures. If there is something you do not understand, it is highly likely that that other students do not understand either.

Practice with recommended problems

I will recommend practice problems that are not for credit and are not to be turned in. These practice problems are mostly selected from the BKM textbook. Since I suggest these practice problems and write the exams, working through them is a great way to study. Be advised that I am not the author of the solutions that I provide for these problems.

Important Notes

Allowed materials in exams

You must bring a laptop (or tablet) with internet access. You are encouraged to bring a double-sided letter size cheat sheet (handwritten or printed), a picture ID, writing instruments, blank scratch papers, and one calculator to exams. You are fully responsible for ensuring that you have all allowed materials and that



these materials are in good working order. There will be no spare calculators, scratch papers, or writing instruments during the exam.

Exam re-grades

Re-grading requests must be made in writing, with a detailed explanation of how grades do not correspond to the answer key as shown to you. You must wait for one week after you receive your exam grade and then you have one week to submit your request in writing. Examinations will always be re-graded in full and, and grade changes may occur in either direction.

Calculators

You should own a scientific or financial calculator. The minimum requirement for such a calculator is that it has the “x^y” function. You should have it during live lecture, as we will do practice problems every week. All examinations will be created assuming you have a calculator. What calculator you buy and use is up to you, except that you are not allowed to use calculator apps on phones, laptops and tablets during examinations. If you plan to pursue a professional designation, it may be a good idea to buy a calculator that adheres to the professional organization’s calculator policy. For example, if you plan to pursue the CFA designation, you should look at the [CFA Institute’s policy](#).

Administrative Information

Student behavior

The University of Alberta is committed to the highest standards of academic integrity and honesty. Students are expected to be familiar with these standards regarding academic honesty and to uphold the policies of the University in this respect. Students are particularly urged to familiarize themselves with the provisions of the Code of Student Behaviour (at www.governance.ualberta.ca) and avoid any behavior which could potentially result in suspicions of cheating, plagiarism, mis- representation of facts and/or participation in an offence. Academic dishonesty is a serious offence and can result in suspension or expulsion from the University.

Please read the “Don’t Cheat” sheet on plagiarism, cheating, misrepresentation of facts and participation in an offence.

Deadlines

All deadlines are enforced strictly. There are no extensions or makeups for missed assignments. Late assignments are assigned a grade of zero.

Missed exams

It is in your best interest to take both the midterm and the final as it provides me more information on your understanding of the course.

Students who miss the midterm exam will not be given a make-up examination. Instead, the weight from the missed midterm will be shifted to the final exam.

Should a student be ill or otherwise incapable of appearing for the final exam at the scheduled time, they must make a formal request for a deferral of the exam with the Alberta School of Business Undergraduate Office.

Marking and grading guidelines

See Assessment and Grading Policy provided by the Office of the Registrar.

Course outline rules

Policy about course outlines can be found in Course Requirements, Evaluation Procedures and Grading of the University Calendar.

Audio or Video Recording

Audio or video recording, digital or otherwise, of lectures, labs, seminars or any other teaching environment by students is allowed only with the prior written consent of the instructor or as a part of an approved accommodation plan. Student or instructor content, digital or otherwise, created and/or used within the context of the course is to be used solely for personal study, and is not to be used or distributed for any other purpose without prior written consent from the content author(s).

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