



FIN 412: Investment Principles
University of Alberta, Alberta School of Business
Department of Finance
Winter 2022 Syllabus

Instructor:	Runjing Lu	Course website	eClass
Email:	runjing1@ualberta.ca	Recorded lectures	Posted on eClass
Office hours:	Monday 4:30-7:30PM Zoom (Passcode: 412) 20-min block, schedulable on Google Calendar	Live lectures	Thursdays (w/ exceptions) B1: 12:30-1:50PM B2: 2:00-3:20PM B3: 3:30-4:50PM
Location	Before Feb 28: Zoom (Passcode: 412) After Feb 28: tentatively in-person, BUS B-05 (B1), T B-105 (B2), BUS B-05 (B3)		

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. All such 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 weekly in-person sessions will occur on Thursdays (except midterm exam on March 1, 2022, session on Index Model on March 8, 2022, and Final review on April 5, 2022).

Generally, the material covered beforehand will include more straightforward concepts and techniques. The live sessions will cover the more nuanced or complex topics as well as practice problems. PDFs of all lecture slides will be posted to eClass a week prior to the live lecture. Slides for the non-live session material will be complete. Slides for the live-session material will be missing answers for practice problems.

Office Hours

Office hours will be held remotely on Mondays 4:30 – 7:30 PM. Students can sign up for meetings of 20 minute via [Google Calendar](#). Please schedule by Sunday 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. Use of Excel is essential for assignments; you should be familiar with IF() and other common functions in Excel. 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) may also be useful.

Required Text

BKM: *Investments, 9th Canadian Edition*, by Bodie, Kane, Marcus, Switzer, Boyko, Panasian, & Stapleton, McGraw Hill-Ryerson, 2019 (ISBN-13: 978-1259271939).

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 previous editions of the book. Any material that appears in a chapter of the book that I have covered is fair game for exams.

Starting this year, the publisher offers the e-book of the text for 180-day rental. For more information, please refer to their Campus eBookstore permalink: [Fall 2022 FIN 412 B1/B2/B3](#).

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%	Noon on live lecture days
Assignment 1	10%	Mar 3 2022
Assignment 2	10%	Apr 5 2022
Peer evaluation	5%	Apr 5 2022
Midterm exam	30%	Mar 1 2022
Final exam	35%	B1: Apr 20, 2022 9am B2: Apr 13, 2022 9am B3: Apr 19, 2022 9am

Participation

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.

Weekly quizzes

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 will be posted one week in advance and due at noon on the day of the in-person lecture (except the introductory session on January 6, 2022).

Assignments

There are two assignments in this course. The assignment will be posted to eClass roughly one month before the due date. Assignments should be done in groups (3-4 people per group, ideally). 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.

Please submit your assignment group member list by January 27, 2022. To do so, send one email per group containing your members' names and session numbers with subject line "FIN 412 assignment group" to our Teaching Assistant Anqi Xie (anqi@ualberta.ca).

Note that group members can be from different sessions of FIN 412. For students who do not belong to any group list submitted by January 27, 2022, I will group you with another 2-3 students randomly.

Peer evaluation

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



evaluation points. **Please submit your peer evaluation to eClass by April 5, 2022. If you do not submit by then, I will assume you give 2 to all your group members.**

Here are the rubrics for the peer evaluation:

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

2 = Excellent work; was crucial component 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

There are two exams in this course. Both exams are administered **online** via eClass. 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. I will provide more details about the logistics of the exams later in the semester.

Both exams are closed-book. For both exams, students are allowed to use a double-sided, letter-sized sheet of paper as a "cheat sheet" with your own notes on it. I reserve the right to request the cheat sheet after the exam. You are also allowed to use a calculator.

Format: multiple choice, administered on eClass, in-class

Schedule

Date	Live lecture topic / activity	BKM Chapter(s)
Jan 6 2022	Introduction	
Jan 13 2022	Background & Review	1-3
	Quiz 1 due at noon	
Jan 20 2022	Return & Risk	5
	Quiz 2 due at noon	
Jan 27 2022	Risk Aversion & Capital Allocation	6
	Quiz 3 due at noon	
	Assignment group list due at midnight	
Feb 3 2022	Optimal Risky Portfolios	7
	Quiz 4 due at noon	
Feb 10 2022	CAPM	9
	Quiz 5 due at noon	
Feb 17 2022	Behavioural Finance	12
	Quiz 6 due at noon	

Feb 24 2022	Reading Week (no class)	
Mar 1 2022	Midterm Exam (online in class Tuesday)	
Mar 3 2022	Assignment 1 due at midnight	
Mar 8 2022	Index Models (class is on Tuesday)	8
	Quiz 7 due at noon	
Mar 17 2022	Factor Models & APT	10
	Quiz 8 due at noon	
Mar 24 2022	Market Efficiency	11
	Quiz 9 due at noon	
Mar 31 2022	Derivative Securities	20
	Quiz 10 due at noon	
Apr 5 2022	Final review (class is on Tuesday)	
	Assignment 2 due at midnight	
Apr 13/19/20, 2022	Final exam (online)	

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

Exams and allowed examination materials

You are allowed to bring a double-sided letter size cheat sheet, a picture ID, writing instruments, and/or 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.

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 examinations

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. Rather, the weight from the missed examination 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.

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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