

Department:.....Accounting and Finance (CFC)

Program:.....CMCD

Course:.....Investments

Professor:.....Prof. Dr. William Eid Jr.

2018 2nd QUARTER

GENERAL OBJECTIVES

This course has two main goals. The first one focuses on applications of financial theory to investments. Topics include portfolio optimization and asset pricing theories, as well as their applications to problems in contemporary financial practice. The course also explores the application of various financial instruments in Investment management and introduces the basic techniques of portfolio performance evaluation.

The second goal deals with Investments in Emerging Markets (EM), where some of the main characteristics of Emerging Markets will be discussed, both from a theoretical and practitioner point of view.

CLASS PREPARATION

1. Readings

Students must read the book chapters corresponding to the session and papers related to them. I expected a lot of participation and discussion about theory and papers. Be prepared to eventual questions.

2. Presentations: book chapters and papers

In every session we will discuss one or two book chapter(s) and two articles related to them. The three designated students must prepare quality presentations.

3. Exercises

Beyond the readings and presentations, there will be exercises from BKM. The work must be send to the email mfc@fgv.br until 6:00 PM of the prior day. Under no circumstances I will accept late homework.

SESSIONS SCHEDULE

1. Quizz (~ 3:00 PM to 3:30 PM)

All students are expected to read carefully the book chapters, papers and to do the exercises before classes. To encourage this behavior, a quizz is applied every meeting. The quizz will contain questions about papers, theory (BKM) and problem sets.

2. Presentation of book (BKM) chapters (~ 15:45 to 17:00)

At each session a student will present the contents of corresponding chapters. The presentation must be sent to the teacher and classmates one day before class. Remember that you will be leading the session: I hope

the presentation to be clear and to engage other students in relevant discussions about the topic. Presentation distribution is included in the excel file.

3. BKM Exercises - Blackboard Solutions (~ 17:15 to 17:45)

In order to fix the exercises and train problem solving in a didactic way, the two students who do not present paper or chapter in the current class will solve on the board one problem of BKM each. The problems distribution is included in the excel file.

4. Presentation and paper discussion (~17:45 to 18:40)

In every class we will discuss two articles. Each one will be presented by a student, with a debater indicated previously. The articles are listed at the end of this syllabus and presentation distribution is included in the excel file.

Please note that:

- The presenter must submit the presentation (a well-done Power Point or Beamer is expected) one day before class for all classmates and teacher until 18:00.
- It is essential to explain the paper theory and relate it to the chapter discussion (BKM). For example: if your article is about the Fama&French model, explain it. Comparisons with Brazilian market are welcome: search for national articles in the main journals and conferences such as EBFIN, EnANPAD and Balas to support your discussion.
- If the paper is contextualized in another country/market you must show the main characteristics of it, for better understanding.

GRADING

Quizzes and homeworks..... 30%

Presentations and discussion..... 30%

Final Exam..... 40%

FINAL COMMENTS

- The use of cell phones and other electronic advices during class is not allowed. They should remain off. Taking notes with a notebook is permitted, as long as done responsibly and without disrupting classes.
- A high dedication is expected for this course. Delays in submitting papers presentations, exercises and/or a low participation in class will not be accepted.
- E-mails: for access to the teacher use william.eid@fgv.br. The mfc@fgv.br must only be used to send exercises and presentations.
- Ethics: each student has to develop their work individually. Plagiarism will not be accepted under any circumstances.

BASIC BIBLIOGRAPHY



BODIE, Zvi; KANE, Alex; MARCUS, Alan J. **Investments**, 10e. McGraw-Hill Education, 2014.

PAPERS

Session #1: Introduction and EMH (Efficient Market Hypothesis)

Kelly, Patrick J. "Information efficiency and firm-specific return variation." *The Quarterly Journal of Finance* 4.04 (2014).

McLean, R. D., & Pontiff, J. (2016). Does academic research destroy stock return predictability?. *The Journal of Finance*, 71(1), 5-32.

Session #2: Equity Evaluation and Active vs. Passive Management

Cremers, M., Ferreira, M. A., Matos, P., & Starks, L. (2016). Indexing and active fund management: International evidence. *Journal of Financial Economics*, 120(3), 539-560.

PÁSTOR, L., Stambaugh, R. F., & Taylor, L. A. (2017). Do funds make more when they trade more?. *The Journal of Finance*.

Session #3: Portfolio Allocation and Volatility

Jacobs, H., Müller, S., & Weber, M. (2014). How should individual investors diversify? An empirical evaluation of alternative asset allocation policies. *Journal of Financial Markets*, 19, 62-85.

Johannes, M., Korteweg, A., & Polson, N. (2014). Sequential learning, predictability, and optimal portfolio returns. *The Journal of Finance*, 69(2), 611-644.

Session #4: Multifactor Models and Risk Management

Barroso, P., & Santa-Clara, P. (2015). Momentum has its moments. *Journal of Financial Economics*, 116(1), 111-120.

Cole, S., Giné, X., & Vickery, J. (2016). How does risk management influence production decisions? Evidence from a field experiment. *Review of Financial Studies*.

Session #5: Alpha & Beta and Term Structure of Interest Rates

Cieslak, A., & Povala, P. (2016). Information in the term structure of yield curve volatility. *The Journal of Finance*.

Ferson, W., & Lin, J. (2014). Alpha and performance measurement: the effects of investor disagreement and heterogeneity. *The Journal of Finance*, 69(4), 1565-1596.

Session #6: Bond Management and Portfolio Performance

Greenwood, R., & Hanson, S. G. (2013). Issuer quality and corporate bond returns. *Review of Financial Studies*, 26(6), 1483-1525.

Moneta, F. (2015). Measuring bond mutual fund performance with portfolio characteristics. *Journal of Empirical Finance*, 33, 223-242.

Session #7: Behavioral Finance and Thinking out the Box

Chang, T. Y., Solomon, D. H., & Westerfield, M. M. (2016). Looking for someone to blame: Delegation, cognitive dissonance, and the disposition effect. *The Journal of Finance*, 71(1), 267-302.

Hoffmann, A. O., Post, T., & Pennings, J. M. (2013). Individual investor perceptions and behavior during the financial crisis. *Journal of Banking & Finance*, 37(1), 60-74.