

FIN-A0104 – Fundamentals of Investments

Syllabus 2023-24

*** Preliminary and subject to change ***
Updated September 26, 2023

Course objective. This course introduces the fundamental concepts of financial investments and the tools used in making investment decisions and analyzing investment outcomes. The topics covered include time value of money, financial assets and markets, portfolio theory, asset pricing, market efficiency, portfolio management, security analysis, fixed income securities, derivatives, and socially responsible investing.

Learning outcomes. By the end of the course, students should be able to:

- (i) Understand basic concepts of finance, financial markets and securities, investments, portfolio theory, asset pricing, and market efficiency.
- (ii) Understand the fundamentals of the pricing of financial assets such as stocks, bonds, and derivatives, and understand the role of systematic factors in the behavior of asset returns.
- (iii) Apply commonly used methods to construct an investment portfolio and understand the sources of the risks and expected returns of a portfolio.
- (iv) Analyze the performance of an investment portfolio and understand the role that skill and luck play in observed investment outcomes.
- (v) Understand the role of investors and financial markets in enabling and advancing sustainable development.

Target audience. This course is intended for all students at Aalto University, excluding the following groups:

- (i) School of Business B.Sc. students whose major is Finance.
- (ii) School of Business first-year B.Sc. students and other School of Business B.Sc. students who have not yet selected a major.

Students in group (i) should take the course FIN-C0103 Investments. Students in group (ii) should first choose their major and then take the appropriate course.

Prerequisites. None. This course assumes no background knowledge in finance, business, or economics.

Instructor. Associate Professor Petri Jylhä. Office: T305 (School of Business building, 3rd floor), email: petri.jylha@aalto.fi, phone: 050 446 1801.

Materials. The course materials consist of lecture slides, lecture notes, and a textbook. The lecture slides will be distributed on MyCourses before each lecture. The lecture notes provide condensed readings covering the topics of the course. The course textbook is *Investments* by Bodie, Kane, and Marcus. Any edition starting from the 4th can be used.

Lectures. Lectures will be held on Tuesdays and Thursdays from 15:15 to 16:45 and on Fridays from 10:15 to 11:45. The first lecture is on October 24, 2023, and the last one on December 1, 2023. All lectures are held in lecture hall U2 (U157 U2), except for the lecture on November 21, which will be held in A-sali (Y202a). Note the exceptional schedule on November 9 and 10.

Grading. The course grade consists of the following components:

- Assignments, maximum 30 points
- Exam, maximum 70 points.

In order to pass the course, a student needs to achieve a minimum of 35 (out of 70) points in the exam and a minimum of 50 (out of 100) points for the exam and assignments combined. The total number of points is converted to the 0-5 scale at the end of the course.

Exam. The course has an on-campus closed-book final exam that covers all the course material. There are two opportunities to take the exam, the exam dates are available on Sisu. It is the student's responsibility to make sure that they are available to take the exam on campus on at least one of the two exam dates.

Assignments. There are two types of assignments during the course. ***Pre-lecture quizzes*** are due before every lecture at 15:00 and are based on the readings for that lecture. Every pre-lecture quiz is worth 1 point. The maximum total for the pre-lecture quizzes is 10 points. ***Post-lecture quizzes*** are due every Friday at 8:00 and are based on the previous week's materials. Every post-lecture quiz is worth 5 points. The maximum total for the post-lecture quizzes is 20 points. All quizzes are individual. Cooperation between students in solving the problems is allowed but every student is fully responsible for the answers they submit. Note the exceptional schedule on November 9 and 10.

Course schedule. The table below provides the tentative course schedule with lecture topics, readings, and deadlines. In the readings, LN refers to the lecture note chapters and BKM refers to chapters in the 10th edition of *Investments* by Bodie, Kane, and Marcus.

Date and time	Topics	Readings and deadlines
October 24 15:15-16:45	Introduction and Time value of money	LN 1
October 26 15:15-16:45	Assets and markets	LN 2, BKM 1-4, 11-12 Pre-lecture quiz 1 due at 15:00
October 27 10:15-11:45	Prices and returns	LN 3, BKM 5 Pre-lecture quiz 2 due at 10:00
October 31 15:15-16:45	Portfolios	LN 4, BKM 6-7 Pre-lecture quiz 3 due at 15:00
November 2 15:15-16:45	Portfolio optimization	LN 5, BKM 6-7 Pre-lecture quiz 4 due at 15:00
November 3 10:15-11:45	Post-lecture quiz 1	Post-lecture quiz 1 due at 8:00
November 7 15:15-16:45	Asset pricing theory	LN 6, BKM 8-9 Pre-lecture quiz 5 due at 15:00
<i>November 9</i>	<i>No lecture</i>	
November 10 10:15-11:45	Asset pricing empirics Post-lecture quiz 2	LN 7, BKM 13 Pre-lecture quiz 6 due at 10:00 Post-lecture quiz 2 due at 8:00
November 14 15:15-16:45	Fixed income basics	LN 8, BKM 14-15 Pre-lecture quiz 7 due at 15:00
November 16 15:15-16:45	Fixed income portfolios	LN 9, BKM 16 Pre-lecture quiz 8 due at 15:00
November 17 10:15-11:45	Post-lecture quiz 3	Post-lecture quiz 3 due at 8:00
November 21 15:15-16:45	Security analysis	LN 10, BKM 18-19 Pre-lecture quiz 9 due at 15:00
November 23 15:15-16:45	Derivative securities	LN 11, BKM 20-22 Pre-lecture quiz 10 due at 15:00
November 24 10:15-11:45	Post-lecture quiz 4	Post-lecture quiz 4 due at 8:00
November 28 15:15-16:45	Active portfolio management	LN 12, BKM 24, 27 Pre-lecture quiz 11 due at 15:00
November 30 15:15-16:45	Sustainable investing Exam practicalities	LN 13 Pre-lecture quiz 12 due at 15:00
December 1 10:15-11:45	Post-lecture quiz 5	Post-lecture quiz 5 due at 8:00