

# FIN-A0104 – Fundamentals of Investments

## Syllabus 2022-23

Updated October 20, 2022

**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, 3<sup>rd</sup> floor), email: petri.jylha@aalto.fi, phone: 050 446 1801.

**Textbook.** Bodie, Kane, and Marcus: *Investments* (2014, 10th edition, BKM below). Other editions can also 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 25, 2022, and the last one on December 2, 2022. All lectures are held in lecture hall U2 (R001/U157 U2).

**Grading.** The course grade consists of the following components:

- Assignments, 30%
- Exam, 70%.

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.

**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.** Graded assignments are due on Fridays at 10:00. Cooperation between students in solving the assignments is allowed but every student is responsible for uploading their own solutions on MyCourses.

#### Course schedule.

Date and time	Topics	Readings, deadlines
October 25 15:15-16:45	Introduction Time value of money	
October 27 15:15-16:45	Assets and markets	BKM chapters 1-4
October 28 10:15-11:45	Portfolio theory I	BKM chapters 5-6
November 1 15:15-16:45	Portfolio theory II	BKM chapter 7
November 3 15:15-16:45	Asset pricing I	BKM chapters 8-9
November 4	<i>No lecture</i>	<b>Assignment 1 due at 10:00</b>
November 8 15:15-16:45	Asset pricing II	BKM chapters 10-12
November 10 15:15-16:45	Empirical evidence	BKM chapter 13
November 11 10:15-11:45	Assignment 2	<b>Assignment 2 due at 10:00</b>

November 15 15:15-16:45	Fixed income I	BKM chapters 14-15
November 17 15:15-16:45	Fixed income II	BKM chapters 15-16
November 18 10:15-11:45	Assignment 3	Assignment 3 due at 10:00
November 22 15:15-16:45	Security analysis	BKM chapters 17-19
November 24 15:15-16:45	Derivatives	BKM chapters 20-23
November 25 10:15-11:45	Assignment 4	Assignment 4 due at 10:00
November 29 15:15-16:45	Active portfolio management	BKM chapters 24-26
December 1 15:15-16:45	Sustainable investing	T.B.A.
December 2 10:15-11:45	Assignment 5 Revision	Assignment 5 due at 10:00