

LBA221 | Investment and Portfolio Management

ACADEMIC YEAR 2019/20 | SEMESTER 2, YEAR 3 | 3 CREDITS

LECTURER

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Office location 200, office consultation hours by appointment



MODULE DESCRIPTION

Examines the functions of financial markets, and how the market prices securities. Investments (equity, fixed income, derivatives - options, futures, etc.) are studied, together with risk hedging strategies.

KEY CONTENTS

- Types of financial markets, types of securities traded, types of risk.
- Pricing mechanisms in markets, market-related institutions.
- Over the counter contracts: forward and swap contracts.
- Options and Futures contracts.
- Asset pricing models and portfolio theory.
- Futures pricing, Options pricing.
- Hedging and other strategies involving derivatives.
- Investments in securities.

MODULE PREREQUISITES

Accounting I and II,
Foundations of Finance,
Global Financial Management.



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LECTURER'S BIO

PhD UEA, UK (1991). Invited Associate Professor, UM (1995-2001). Chair Professor of Business Studies, UALG (2005-2013).

INTENDED LEARNING OUTCOMES (ILOs)

- ILO 1. Understand how financial markets work, the types of securities traded and the types of risk.
- ILO 2. Understand the pricing mechanisms in markets and in market-related institutions.
- ILO 3. Assess over the counter contracts, namely forward and swap contracts.
- ILO 4. Value options and futures contracts.
- ILO 5. Make decisions on based on asset pricing models and portfolio theory.
- ILO 6. Apply hedging and other strategies involving derivatives.
- ILO 7. Make investment decisions in securities.
- ILO 8. Understand currency risk and procedures to offset it, including swaps

ASSESSMENT & GRADING

Knowledge will be assessed using exercises and tests, all of them being closed-book in-class tests. In-class exercises and assignments are the study guide for tests. Grading is as follows:

Class participation:	20%	1. Date 13 Feb Grade 20% Test number 1
Class exercises and case-study discussion:	20%	2. Date 26 Mar Grade 20% Test number 2
Tests plus final exam:	60%	3. Date 14 May Grade 20% Final exam

Assessment Tasks		Test number 1	Test number 2	Final exam
Assessment Weighting (%)		20%	20%	20%
ILO 1.	Understand how financial markets work, types of securities traded and their risk.	✓		✓
ILO 2.	Understand pricing mechanisms in markets and market-related institutions.	✓		✓
ILO 3.	Assess over the counter contracts, namely forward and swap contracts.	✓		
ILO 4.	Value options and futures contracts.		✓	✓
ILO 5.	Make decisions on based on asset pricing models and portfolio theory.		✓	✓
ILO 6.	Apply hedging and other strategies involving derivatives.		✓	✓
ILO 7.	Make investment decisions using securities.			✓
ILO 8.	Understand currency risk and procedures to offset it, including swaps			✓

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LEARNING MATERIALS & RESOURCES

Maurice Levy, International Finance, Routledge, 2009.

Ross, Westfield and Jordan (2010), "Fundamentals of Corporate Finance," New York (McGraw-Hill).

All materials used in class are available to students at USJ Hub.

MODULE SCHEDULE AND TOPICS

SESSIONS	DATE TIME	CONTENTS	TOPICS ACTIVITIES
Session 01	16 January	Bond valuation, bond markets, rating	1, chapters 6, 7
Session 02	23 January	Stock valuation, securities markets	2, chapters 7, 8
Session 03	6 February	Return, risk, the Security Market Line	3, chapters 12, 13
Session 04	13 February	Exercises and test number 1	4, extra
Session 05	20 February	Derivatives and option pricing	5, chapters 14, 22
Session 06	27 February	Cost of Capital, long-term capital structure	6, chapters 15, 16
Session 07	12 March	Dividends and dividend policy	7, chapters 17, 18
Session 08	19 March	International finance, currency markets	8, chapters 22
Session 09	26 March	Exercises and test number 2	9, extra
Session 10	2 April	Hedging and price volatility	10, chapter 23
Session 11	16 April	Hedging with derivatives	11, chapter 24
Session 12	23 April	Mergers and Acquisitions, Leasing	12, chapter 25
Session 13	5 May	Topics, exercises and pro-forma test	13, extra
Session 14	14 May	Exercises and final exam	14, extra

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UNIVERSITY POLICIES

Students are recommended to go through the student's handbook, particularly through the sections covering USJ's policies regarding plagiarism, use of copyrighted materials and disciplinary action.

You can access USJ's student handbook here: <http://www.usj.edu.mo/en/resources/>

FINAL GRADE DESCRIPTORS

Excellent: Grade 19-20

Awarded when student has shown attainment of all module objectives and learning outcomes, with an extremely high level of intellectual and affective initiative. Demonstrates outstanding achievement of the knowledge, skills and understandings expected. Makes outstanding contribution to pair/teamwork, is able to reflect on own learning, exercise critical evaluation and review of own work and the work of others.

Very good: Grade 17-18

Awarded to a student when all module objectives and learning outcomes have been met very well. Demonstrates high achievement of the knowledge, skills and understandings expected. Makes significant contribution to teamwork and ability to reflect on own learning and decision making to a high level.

Above average to Good: Grade 14-16

Awarded when all objectives have been addressed satisfactorily, or where the evidence is strong in some and weaker in others. Demonstrates sound achievement of the knowledge, skills and understandings expected. Student has made effective contribution to pair/team work and development of some affective skills.

Below average to Average: Grade 12-13

Awarded when the objectives have been addressed adequately, or where the evidence is acceptable in others. Know a reasonable amount of content, but don't transfer or apply it easily. Demonstrates limited achievement of the knowledge, skills and understandings expected. Student has made minimum contribution to pair/team work and shows development of weak affective skills.

Weak pass to Pass: Grade 10-11

Awarded when the objectives have been addressed minimally. The student demonstrates sparse understandings, evidence of some effort in the acquisition of terminology; higher level understanding offset by some misunderstandings. The student shows sufficient familiarity with the subject matter to enable progress without

repeating the module. Student has made minimum contribution to pair/team work and shows development of some affective skills.

Fail: Grade 9.4 and below

Awarded when student shows fundamental misunderstandings and total lack of effort/involvement in the module. Student has not achieved at least 50 percent of the credit on every module component. Work not submitted.

ATTENDANCE REQUIREMENTS

Students are required to attend two-thirds of the scheduled sessions in order to be able to receive a passing grade. Students are expected to arrive to class on time and to remain for the whole session. Additionally, students should return to class on time after breaks, which should not exceed 20 minutes.

MISSING EXAMINATIONS, OR NOT SUBMITTING MODULEWORK ON TIME

Students cannot pass a module unless all the required assessment is completed. If a student has sufficient, approved and documented, reasons for missing a required piece of assessment or not completing a required modulework on time, he or she is normally given one chance to complete 'make-up' requirements at a time and place agreed by the module Lecturer.

THE USE OF CELL PHONES

Cell phones should be switched off or turned to silent mode, unless instructed otherwise by the Lecturer.

PLAGIARISM

Plagiarism is the action or practice of taking and using as one's own, the thoughts, writings or other work of someone else with the intent to deceive. Plagiarism includes

- The use of the whole or part of a written work including the use of paragraphs or sentences in essays or other assessable work which are neither enclosed in quotation marks nor otherwise properly acknowledged;
- The paraphrasing of another's work without attribution;
- The use of musical composition, audio visual, graphic, photographic models, without attribution



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- d) If plagiarism is found, then that piece of work will be awarded a zero.
- e) If plagiarism reoccurs a student will be notified and need to appear in front of the Dean for Academic Affairs and/or Dean of Students.

