Capital University of Economics and Business
Overseas Chinese College
Course Syllabus

Year and Semester	Fall 2022 (September 5, 2022— January 16, 2023)
Course Name	Equity Investment and Portfolio Management
Course Code	CFA301
Course Type	☐ General Education (Required) ☐ General Education (Elective)
	☐ Professional Course (Required) ☑ Professional Course (Elective)
	☐ Basic Disciplinary Course
Course Credits	4
Course Hours	4*17=68
Prerequisites	None
Instructor	Manqiu Wei (Eunice Wei)
Contact Information	Office: C203
	Tel: (010)8395 1085
	Email:eunicewei2013@163.com
Office Hour	M 11:35-12:20; T 15:25-16:10; W 8:50-9:35; TH 11:30-16:10;
Learning Centre	M 9:55-11:30; T 18-20 (online)
Grade/Section	2020CFA/Y01
Course Time/Place	M: 8:00-9:35 / BX204; T: 13:30-15:05 / BX204
Textbook	

Schweser Notes 2020 Level I CFA Book 4: *Equity*, Book 5: *Portfolio Management*,Kaplan Inc. USA

Reference Books

1. CFA Institute, *Equity and Fixed Income Investments, CFA Program Curriculum, Volume5*, 2021, Wiley Press, USA

2. Frank K. Reilly, et al. *Analysis of Investments and Management of Portfolio*, 10th Edition, China Machine Press, Beijing, ISBN: 978-7-111-43864-9

3. Zvi Bodie et al. *Investments, 10th Edition*, China Machine Press, Beijing, ISBN: 978-7-111-58160-4

Course Description

This course aims to equip students with the essential knowledge of the equity securities analysis and valuation. The course covers the fundamentals of equity investments and portfolio management. Key areas include types of equity investments,market organization and structure of security markets, and security market indexes; market efficiency, basic tools for equity valuation, introduction to industry and company analysis. It also involves modern portfolio theory, portfolio risk and return measures, and basics of portfolio planning and construction, the behavioral biases of individuals, introduction to risk management.

Student Learning Objectives

After completing this course, students should be able to:

Knowledge:

- Describe equity market organization and structure;
- Explain and calculate security market indexes;
- Describe various types of equity securities, as well as industry and company analysis;
- Explain the concept of a portfolio approach to investment;
- Describe behavioral biases of individuals;

Capability

- Discuss different forms of market efficiency and the implications for investment analysis;
- Apply basic equity valuation models to estimate equity values;
- Discuss various measures of portfolio risk and return;

Mindset:

- Act with integrity, respect, and in an ethical manner in the finance field;
- Be independent and diligent in the investment process;
- Strive to improve professional knowledge and competence;
- Apply critical thinking in the process of decision making.

Website Source

1. http:// www.sse.com.cn   Shanghai Stock Exchange
2. http://www.szse.cn/   Shenzhen Stock Exchange
3. https://www.hkex.com.hk/   Hong Kong Exchanges
4. https://www.nyse.com/index   New York Stock Exchange
5. https://www.londonstockexchange.com/   London Stock Exchange
6. http://www.csrc.gov.cn/pub/newsite/   中国证券监督管理委员会 CHINA SECURITIES REGULATORY COMMISSION
7. https://finance.sina.com.cn/   sina 新浪财经

Teaching Methods

This course contains lectures, class discussions, homework, quizzes, presentation and exams. Textbook content will be introduced first. Then real case and practice questions will be delivered to students as a way to test their understanding of the knowledge. This will require individual or group assignment in or after class.

Grade Criterion

Component	Weight	Description
Final Exam	20%	A cumulative final examination will be given based on all of the contents of the class. The exam paper may be composed of multiple-choice questions, short answer questions, essay questions, problems. Students should rely primarily on homework assignments to give them a sense of what they may see for material on exams.
Mid-Term Test	20%	A cumulative midterm test will be given based on all of the contents that have been taught in class. The test paper may be mainly composed of multiple-choice questions and it should be completed within 50 minutes in class.
Homework	15%	Most of the assigned homework is taken from the Exercises in the textbook. Assignments will be collected at the clearly stated date.

		Late assignments will not be accepted. The graded assignments will be kept by the tutor for reference and won't be returned to students.
Quizzes	15%	There will be at least 2 quizzes during the semester. Quizzes may or may not be announced in advance. It may also be used as a way to check the attendance. Quizzes will test your knowledge of both concepts and the application of those concepts.
Presentation	10%	The students will be divided into several groups to prepare a presentation. Each student is required to be involved in the presentation. The topics can be selected from the textbook or lectures or course related materials. Each group needs to finish a PPT related to the topic which is given, and hand in the related resources to the teacher before the presentation.
Participation	10%	Individuals will be asked to participate individually in a question and answer at least 5 times during the semester. The performances should be counted in their participation.
Attendance	10%	Refer to attendance policy listed below
Total	100%	

Detailed Grade Computation

	Before Midterm	**After Midterm**
Attendance	5%	5%
Participation	5%	5%
Homework	5%	10%
Quizzes	5%	10%
Presentation		10%
Midterm test	20%	
Final exam		20%
Total	40%	60%

Grading Policy

A+ 97-100	A 93-96	A- 90–92	B+ 87-89	B 83-86	B- 80–82
C+ 75-79	C 70-74	C- 67–69	D+ 63–66	D 62-60	F 0- 59

Exam Schedule

Midterm Test: Oct.31 – Nov.4
Final Exam: Jan.4- 13,2023

Assessment of Student Performance

☞ *Self-Study and Reading ability Practice*

Instructor will give out the chapters or the reference books to read and use class hours to have discussion; students should be able to show a proactive attitude and ability for self-study and reading. Knowledge and oral English will be elements of homework or presentation score.

☞ *Homework*

Students should finish their homework by themselves. Copying from others will be treated as cheating and the homework scores will be lowered. Students should hand in all assignments on time. Late assignments will be accepted at the discretion of the instructor (i.e., when the student was ill or had an excused absence). Late assignments without reasonable proof will be reduced in score by 50%.

☞ *Attendance*

Because the course covers a great deal of material, attending every class session is very important for performing well.

- Being late for 15 minutes or more is considered an absence.
- Five hours or above of unexcused absences will result in the lower level of the final grade by one grade band (e.g. from C – to D +). Any excused absence must be discussed directly with the teacher.
- Absence which is more than 1/3 of the total teaching hours will cause an F (a failing grade) directly.

  But students are welcome to continue attending classes.
- An incomplete grade (I) will be considered in case of medical or family emergencies.

☞ *Participation*

- Students should participate in classes actively. Half of participation grade is determined by their presentation in class. They are encouraged to ask questions relevant to the subject and express their own opinions. Every student should respect the ideas, opinions, and questions of their classmates.
- Students should also use office hours to ask questions or talk with the instructor for good communication and effective learning.
- Frequent visiting the instructor and chatting in English during office hours is highly recommended.
- Any misbehavior and non-class related activities in class will result in the lower level of the participation grade, including ringing cell phones.
- All above behaviors will be solely evaluated by the instructor for scoring.

☞ *Textbook*

Students must bring the textbook to class.

Topical Course Outline

Week	Date	Topics	Homework
1		● **Syllabus** ● Course introduction ● **Reading 1# Market Organization and Structure** **Module 1 Markets, assets, and intermediaries** a: Explain the main functions of the financial system b: Describe classifications of assets and markets. c: Describe the major types of securities d: Describe types of financial intermediaries and services that they provide **Module 2 Positions and leverage** e: Compare positions an investor can take in an asset f: Calculate and interpret the leverage ratio, the rate of return on a margin	

		transaction, and the security price at which the investor would receive a margin call.	
2		Monday, Sept 12, 2022, Mid-Autumn Festival / Holiday **Module 3 order execution and validity** g: Compare execution, validity, and clearing instructions. h: Compare market orders with limit orders. i: Define primary and secondary markets and explain how secondary markets support primary markets j: Describe how securities, contracts, and currencies are traded in quote driven, order-driven, and brokered markets k: Describe characteristics of a well-functioning financial system l: Describe objectives of market regulation	
3		● **Reading 2# Security Market Indexes** **Module 1 Index weighting methods** a: Describe a security market index b: Calculate and interpret the value, price return, and total return of an index c: Describe the choices and issues in index construction and management d: Compare the different weighting methods used in index construction e: Calculate and analyze the value and return of an index given its weighting method	
4		**Module 2 Uses And Types of Indexes** f: Describe rebalancing and reconstitution of an index g: Describe uses of security market indexes h: Describe types of equity indexes i: Describe types of fixed-income indexes j: Describe indexes representing alternative investments k: Compare types of security market indexes	
5		**National Day Holiday**	
6		● **Reading 3# Market Efficiency** a: Describe market efficiency and related concepts, including their importance to investment practitioners b: Distinguish between market value and intrinsic value 46.c: Explain factors that affect a market's efficiency d: Contrast weak-form, semi-strong-form, and strong-form market efficiency. e: Explain the implications of each form of market efficiency for fundamental analysis, technical analysis, and the choice between active and passive portfolio management f: Describe market anomalies g: Describe behavioral finance and its potential relevance to understanding market anomalies ● **Reading 4# Overview Of Equity Securities** **Module 1 types of equity investments** a: Describe characteristics of types of equity securities b: Describe differences in voting rights and other ownership characteristics among different equity classes c: Distinguish between public and private equity securities	
7		**Module 2 foreign equity and equity risk** d: Describe methods for investing in non-domestic equity securities e: Compare the risk and return characteristics of different types of equity securities f: Explain the role of equity securities in the financing of a company's assets	

		g: Distinguish between the market value and book value of equity securities	
		h: Compare a company's cost of equity, its (accounting) return on equity, and investors' required rates of return	
		Comprehensive Exercises and explanations	
8		● **Reading 5# Introduction To Industry And Company Analysis** **Module 1 Industry analysis** a: Explain uses of industry analysis and the relation of industry analysis to company analysis b: Compare methods by which companies can be grouped, current industry classification systems, and classify a company, given a description of its activities and the classification system c: Explain the factors that affect the sensitivity of a company to the business cycle and the uses and limitations of industry and company descriptors such as growth, defensive and cyclicalǁ d: Explain how a company's industry classification can be used to identify a potential —peer groupǁ for equity valuation e: Describe the elements that need to be covered in a thorough industry analysis f: Describe the principles of strategic analysis of an industry **Module 2 Pricing power and company analysis** g: Explain the effects of barriers to entry, industry concentration, industry capacity, and market share stability on pricing power and price competition h: Describe industry life cycle models, classify an industry as to life cycle stage, and describe limitations of the life-cycle concept in forecasting industry performance i: Compare characteristics of representative industries from the various economic sectors j: Describe macroeconomic, technological, demographic, governmental, and social influences on industry growth, profitability, and risk k: Describe the elements that should be covered in a thorough company analysis	
9		● **Midterm Test** ● **Reading 6# Equity valuation** **Module 1 Dividends, splits, and repurchases** a: Evaluate whether a security, given its current market price and a value estimate, is overvalued, fairly valued, or undervalued by the market b: Describe major categories of equity valuation models c: Describe regular cash dividends, extra dividends, stock dividends, stock splits, reverse stock splits, and share repurchases d: Describe dividend payment chronology **Module 2 Dividend discount models** e: Explain the rationale for using present value models to value equity and describe the dividend discount and free cash flow to equity models f: Calculate the intrinsic value of a non-callable, non-convertible preferred stock g: Calculate and interpret the intrinsic value of an equity security based on the Gordon (constant) growth dividend discount model or a two-stage dividend discount model, as appropriate h: Identify characteristics of companies for which the constant growth or a multistage dividend discount model is appropriate	
10		**Module 3 Relative valuation measures**	

		i: Explain the rationale for using price multiples to value equity, how the price to earnings multiple relates to fundamentals, and the use of multiples based on comparable. j: Calculate and interpret the following multiples: price to earnings, price to an estimate of operating cash flow, price to sales, and price to book value k: Describe enterprise value multiples and their use in estimating equity value. l: Describe asset-based valuation models and their use in estimating equity value m: Explain advantages and disadvantages of each category of valuation model.	
11		Comprehensive Exercise for reading 6 ● **Reading 7# Portfolio Management: An Overview** **Module 1: Portfolio Management Process** a: Describe the portfolio approach to investing b: Describe types of investors and distinctive characteristics and needs of each c: Describe defined contribution and defined benefit pension plans **Module 2: Asset Management and Pooled Investments** d: Describe aspects of the asset management industry e: Describe mutual funds and compare them with other pooled investment products	
12		● **Reading 8# Portfolio Risk and Return: Part I** **Module 1: Returns Measures** a. calculate and interpret major return measures and describe their appropriate uses. b. describe characteristics of the major asset classes that investors consider in forming portfolios. **Module 2: Covariance and Correlation** c. calculate and interpret the mean, variance, and covariance (or correlation) of asset returns based on historical data. d. explain risk aversion and its implications for portfolio selection. **Module 3: The Efficient Frontier** e. calculate and interpret portfolio standard deviation. f. describe the effect on a portfolio's risk of investing in assets that are less than perfectly correlated. g. describe and interpret the minimum-variance and efficient frontiers of risky assets and the global minimum-variance portfolio. h. explain the selection of an optimal portfolio, given an investor's utility (or risk aversion) and the capital allocation line.	
13		— Comprehensive Exercises and explanations ●**Reading 9# Portfolio Risk And Return: Part II** **Module 1: Systematic Risk and Beta** a: Describe the implications of combining a risk-free asset with a portfolio of risky assets b: Explain the capital allocation line (CAL) and the capital market line (CML) c: Explain systematic and nonsystematic risk, including why an investor should not expect to receive additional return for bearing nonsystematic risk d: Explain return generating models (including the market model) and their uses — Summary ** Bilingual	
14		e: Calculate and interpret beta **Module 2: The CAPM and the SML**	

		f: Explain the capital asset pricing model (CAPM), including its assumptions, and the security market line (SML) g: Calculate and interpret the expected return of an asset using the CAPM h: Describe and demonstrate applications of the CAPM and the SML i: Calculate and interpret the Sharpe ratio, Treynor ratio, M2, and Jensen's alpha	
15		Presentation	
16		Presentation	
17		Revision	

Note: During the semester, this course may be switched to on-line teaching; in the case of on-line teaching, Tencent Meeting and WeChat group will be used as main teaching methods. WeChat group will be mainly used to inform students of daily study activities and tasks. Tencent Meeting will be used as main platform to organize study activities.

A review in Chinese may be held during L.C. and O.H. in the semester.

Teacher's Office Hour

- The instructor's office hour is shown in the front of the office door.
- Students are suggested to use the instructor's office hour and learning center to ask questions or talk with the instructor once at least per week for good communication and effective learning, which is recorded in the students' participation.
- The time can be scheduled by instructors or students, or both.

Cheating and Plagiarism

Cheating is not tolerated. Any student caught cheating on a quiz; test or exam will be given a mark of zero (0) for the particular work. At the beginning of the semester the definition of plagiarism will be carefully explained, when any thoughts or writings of another person are used, they must be clearly identified (usually one uses quotation marks) and the source notes. **If any student is caught cheating on any homework assignment, the highest score the student can earn in that course is a "C".**

Important Dates

Fall Semester, September 5, 2022— January 16, 2023

Sep.2-4	Registration (Sophomores，Juniors and Seniors)
Sep.5	Classes Begin (Sophomores，Juniors and Seniors)
Sep.10	Mid-Autumn Festival
Oct.1	National Day
Oct.31 – Nov.4 （week 9）	Midterm Test (tentative)
Jan.1, 2023	New Year's Day
Jan.4-13,2023	Final Exam Period (Sophomores, Juniors and Seniors)

Note: This syllabus is tentative and may be changed or modified throughout the semester. All students will be notified and a new syllabus will be given.

Instructor: _Eunice Wei_   **Department Head:** _____

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