

UNIVERSITY OF VIRGINIA<sup>2</sup>  
McIntire School of Commerce

GCOM 7750  
Asset Management

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Spring 2021

## Objectives

We will develop the concepts and tools needed to build and analyze investments used by a wide range of investors including sovereign wealth funds (SWFs), pensions, endowments, family funds, high-net worth individuals.

The central themes in this course include:

- The relationship between risk and return
- Asset valuation by equilibrium and no-arbitrage techniques
- Performance evaluation of fund managers

## Course Materials

- “Investments,” 12th edition, by Bodie, Kane and Marcus is the main text. It is available at the bookstore and also at Amazon.
- Lecture notes contained in the coursepack on Blackboard. These are copies of the Power-Point slides I’ll be using. We will “fill in” these as we progress through the semester, so you should either print them to mark them up by hand or be able to mark up the pdf on an iPad, Microsoft surface, etc.
- I also expect you to keep up with current events by reading the *Economist*, the *Wall Street Journal* and/or the *Financial Times*. The *Financial Times* is free to students at McIntire. Personally, I try to at least skim the *Economist* cover-to-cover every week, but it is a rather expensive newspaper.

## Prerequisites

You should be familiar with economics, mathematics, and statistics at the level seen in your previous coursework. I will use “gentle” calculus at various points since, believe it or not, it makes things easier to understand. I will not expect you to use calculus on the exams. However, I will give some optional problems involving calculus for those of you who want to take a stab at something more challenging.

**Honor Code:** The McIntire School of Commerce relies upon and cherishes its community of trust. We firmly endorse, uphold, and embrace the University's Honor principle that students will not lie, cheat, or steal, nor shall they tolerate those who do. We recognize that even one honor infraction can destroy an exemplary reputation that has taken years to build. Acting in a manner consistent with the principles of honor will benefit every member of the community both while enrolled in the McIntire School and in the future. Students should report all suspected honor violations to an honor representative immediately, and faculty will report all suspected honor violations immediately to an honor representative. If you have questions about your Honor System or would like to report your suspicions of a Honor offense, please contact your honor representatives.

Homework: I consider copying homework assignments to be a honor code violation. You are free to discuss the issues behind the problem in groups, but you **must** arrive at the solution yourself.

**Cell Phones:** Please turn your cell phone off before class begins. Cell phones are not allowed during exams.

### **Rescheduling of Exams**

- Please take careful note of the examination dates below. These dates are fixed and non-negotiable.
- If you currently have a conflict with one of the dates (sports schedule, etc.) let me know in writing (or e-mail) no later than Friday, February 12, 2021. If you do not notify me of a conflict by then, I will expect you to show up for the exam as scheduled. Failure to show up for a scheduled exam will result in a **zero** for that exam.
- The exams **will not** be offered at times other than scheduled ones.

### **Class Format**

- All class sessions will be recorded so if you want to watch it again you may do so.
- Please keep your cameras on if possible. This will hopefully make us feel more connected.
- If you have a question, just raise your hand in chat. Virginia Barney will be our class moderator. She will monitor chat and hand rises, and then call on students who have questions or comments in turn.

## Grade Determination

Homework Assignments: Problems will be assigned for most topics and you are expected to do all assigned problems. We will typically go over the problems in class and I will usually cold call students the day the assignment is due and have the lucky student explain the solution to the class. Not being prepared to explain the solution will hurt your class participation grade.

Attendance: I expect you to attend every class. If you have a legitimate excuse, please let me know **before** class by sending me an e-mail.

In the final analysis, grades in this course are judgment calls by the instructor. The following weights will be employed in grade determination:

Description	Weight if you take final	Weight if you don't take final
Exam I, Tuesday, 3/16, 6-9 p.m.	30%	45%
Exam II, Tuesday, 4/27, 6-9 p.m.	30%	45%
Final Exam, Friday, May 7, 12:30-3:30 p.m.	30%	0%
Participation, cold call preparation & attitude	10%	10%
Total:	100%	100%

- You may *not* consult with any other resource (a classmate, the internet, etc) during the exams.
- If you do not take an exam at the specified time and have not cleared the absence with me prior to the start of the exam, you will receive a zero for that exam.
- The final exam will be cumulative and optional. Since 90% of the course grade comes from the exams, the weight on each exam will be 30-30-30 if you take the final, or 45-45-0 if you do not take the final.

## **Instructor and Availability**

- Office hours via Zoom: 11:00-12:00 Monday and Wednesday and by appointment.

Zoom address: <https://mcintire.zoom.us/my/patrickdennis>

Zoom is weird.

- So that I'm not staring into an empty Zoom room for an hour, if nobody shows up in the first 10 minutes or so I will close the Zoom session.
- If you can't make it in the first 10 minutes, just e-mail me and I'll make sure I'm available at a time that works for you.
- If office hours get really crowded, I'll ask some of you to come back in 15 minutes or so.
- I only have a single screen, so I might be doing something in the foreground like answering e-mails. The audio channel will be on, so if I don't pop up right away just announce that you are in the Zoom room.

## **Internet Access for Course Materials**

Class materials in addition to the course-pack will be distributed through Blackboard.

## Schedule

Specific topics and their approximate schedule appear in the table below. While we may deviate slightly from this schedule, it provides the structure for the course. Some of the assignments will require use of Microsoft Excel.

We will cover topics out-of-sequence from the text. This is mainly due to moving the material on options to the beginning of the course to help you with Professor Grazioli's and Professor Wilhelm's courses.

Topic	Chapters in Bodie, Kane & Marcus
Introduction	1 (skim), 5.7
Option Fundamentals	20.1 - 20.2
Option Valuation - Black-Scholes-Merton Model	21.4 - 21.5
Option Valuation - Binomial Model	21.1 - 21.3
Option Valuation - Basic Arbitrage Results	20.4, class notes
Option Trading Strategies	20.3
Orders, Margin And Short Sales	3
Market Microstructure & The Limit Order Book	class notes
Statistics	5.1, 5.3, 5.4, 5.5, 5.6
Preferences	6.1 - 6.5
Portfolio Theory	7.1 - 7.4
Capital Asset Pricing Model (CAPM)	9
CAPM Evidence And Multifactor Models	13
Market Efficiency	11
Behavioral Finance	12.1
Performance Evaluation	24
Bond Valuation	14
Bond Yields	14
Bond Risk	16.1
Futures And Forwards	22

## **McIntire School of Commerce Well-Being Statement**

The McIntire School of Commerce proudly serves as a safe space for its students and aims to promote their wellbeing. If you are feeling overwhelmed, stressed, or isolated, there are many individuals here ready and wanting to help. If you wish, you can make an appointment with me to talk privately about how things are going. Staff members in the Student Services Office, located on the first floor, are also readily accessible to talk during walk-in hours or through setting up an appointment.

Alternatively, there are also other University of Virginia resources available. The Student Health Center offers Counseling and Psychological Services (CAPS) for its students. Call 434-243-5150 to get started and schedule an appointment or for any after hour needs. If you prefer to speak anonymously and confidentially over the phone, call Madison House's HELP Line at any hour of any day: 434-295-8255.

If you or someone you know is struggling with gender, sexual, or domestic violence, there are many community and University of Virginia resources available. The Office of the Dean of Students, Sexual Assault Resource Agency (SARA), Shelter for Help in Emergency (SHE), and UVA Women's Center are ready and eager to help.

## **Commitment to Inclusion and Respect for Differences**

The McIntire School is committed to creating a community that is inclusive and acknowledging. We seek to remove barriers in order to empower all members to engage fully and to contribute in and out of the classroom. At McIntire, an inclusive classroom is an environment where all students feel supported intellectually and academically and feel a sense of belonging regardless of identity, learning preferences, or background.

At times, issues or comments may surface in class that can cause offense or be hurtful to someone. It is the expectation of the School and our faculty that students not judge or criticize others, since we all gain more from course discussions and engagement if we first seek to understand. McIntire is committed to addressing issues as they arise in a respectful manner. If you are concerned about anything said in class or raised in the readings, you are encouraged to contact your instructor. Other resources available include your program advisor in the Office of Student Services as well as the McIntire Office of Diversity, Equity and Inclusion. We are open to listening to students' experiences and want to work with you to find acceptable ways to process and address any issues or concerns that may arise.