Course Description
This class provides an introduction to the fundamental principles of investments, investment management, and asset pricing. Topics include an overview of fixed income and equity securities and markets, asset allocation, asset pricing models, active portfolio management and performance evaluation, an introduction to derivatives, as well as alternative investments such as hedge funds and private equity. The course should be valuable from the perspective of the individual investor, the corporate financial manager, and the investment manager and anyone interested in an introduction to financial markets.

Textbook and Readings
I will provide self-contained lecture notes. I will make them available on the course webpage usually a few days in advance. However, for background reading or alternative explanations, the following textbook will be useful:
The coursepack contains additional readings complementing specific topics covered. These readings are recommended, but optional.

Prerequisites
By definition, finance is a quantitative subject, and this will be reflected in the course. While I will review basic concepts in probability, statistics and calculus as the course progresses, I recommend you brush up your knowledge before the course begins. Familiarity with excel spreadsheet applications is also helpful.

Course Requirements
The course requirements are a midterm exam, and a final exam, plus active class participation. Depending on what gives you a higher score, either the midterm will count 20% and the final 60% or the midterm will count 40% and the final 40%. Class participation will count for the remaining 20%. Exams will be closed book, but you may use a formula sheet as determined in class.
Additionally, I will hand out 4 problem sets. These will not be graded and I will provide solutions. However, working on the problem sets is the best and indispensable preparation for the exams.

Review Sessions
There will be weekly review sessions run by a teaching assistant. The purpose of the review sessions is to discuss the problem sets, prepare for the exams and review the material covered in the lectures.
Teaching assistants: Basil Williams (basil.williams@duke.edu), Gabriel Bonilla (gabriel.bonilla@duke.edu) Both are Ph.D. students in finance.

*Dates and time of the review sessions will be announced in class.*

**Office Hours**
You can send me an email at ming.yang@duke.edu to set up an appointment. You can also reach me at (919) 660-7615, but email usually guarantees the fastest turn around time. My office number is W407.

**Honor Code**
The honor code applies to this class. Specifically, the problem sets should be independent work of your group. You should not receive any assistance on the midterm exam or final exam from anyone. If you are in doubt about whether something is acceptable under the honor code, you should not hesitate to ask me.

**Regrading Policy**
Regrade requests for each exam must be made within one week after the grades being posted. All such requests must be made using a Regrade Request Form that will be downloadable from my website. In making your requests, keep in mind that the WHOLE exam is subject to re-grading.

**Miscellanea**
Laptop use is not permitted during class, except when spreadsheets are used in class or with my permission to take notes for the class. I will make a seating chart on the first day of class, so please pick a seat that suits you for the entire term.

**Course Web Page**
Before the start of the course, a course web page will become available at https://sakai.duke.edu/ with course related information such as notes, problem sets, and files for the problem sets. News and announcements will also be posted on the class web page, but critical information will be communicated by email when necessary.
Course Outline
This is a tentative schedule of the topics covered. Lecture notes will be distributed at the beginning of each class and will also be made available on the class web page (generally a few days before they are handed out in class). The outline also indicates suggested readings for each class.

Lecture 1: Introduction to Capital Markets

Tuesday, 10/30
Readings: [BKM] chapter 1.1-1.5, 1.7.
Handouts: Syllabus, Notes 1.

Lecture 2: Fixed Income Securities and Bond Markets

Friday, 11/2
Handouts: Notes 2, Problem Set 1.

Lecture 3: Equity Securities and Stock Markets

Tuesday, 11/6
Handouts: Notes 3.

Lecture 4: Asset Allocation I

Friday, 11/9
Handouts: Notes 4, Problem Set 2, Problem Set 1: Solutions, Data Access Instructions.

Lecture 5: Asset Allocation II and Introduction to CAPM

Tuesday, 11/13

Lecture 6: the CAPM
Friday, 11/16
Readings: [BKM] chapters 9.1-9.2,
Handouts: Problem Set 2: Solutions, Practice Midterm.

Lecture 7: Evidence on the CAPM and Factor Models

Tuesday, 11/20
Handouts: Notes 7, Problem Set 3, Practice Midterm: Solutions.

Lecture 8: Midterm Exam

Tuesday, 11/27
Takes place in class.

Lecture 9: Portfolio Management and Performance Management I

Friday, 11/30
Handouts: Notes 9.

Lecture 10: Portfolio Management and Performance Management II

Tuesday, 12/4
Handouts: Notes 10, Problem Set 4, Problem Set 3: Solutions.

Lecture 11: Consumption Based Asset Pricing and the Equity Premium Puzzle

Friday, 12/7
Handouts: Notes 11, Notes on Consumption Based Asset Pricing, Practice Final.

Lecture 12: Alternative Investments: Hedge Funds and Private Equity
Tuesday, 12/11
Handouts: Notes 12, Problem Set 4: Solutions, Practice Final: Solutions.

**Final Exam**

Date: 2pm-5pm, Thursday, 12/13
Place: Section 20A – Dansby & Leaman, Section 20B – Lilly & 2008 MBA.