

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
FNCE 205/720
Investment Management

Course Outline, Reading List and Schedule

Professor Géczy

Spring, 2010

BKM = *Investments, 8th Edition, by Bodie, Kane and Marcus, 2009*
(Note: **All BKM readings are required**)
BP = Bulkpack (note: bulkpack articles are not in the order listed below)
(R) = Required Bulkpack Readings

Note: additional readings may be assigned that do not appear below (e.g., *Stocks for the Long Run* by Jeremy Siegel)

Approx.
Week #

- 1** **Topic 1: Introduction and Course Overview**
 Olson, *School of Hard Knocks* (R)
 Dawes, Faust and Meehl, *Clinical Versus Actuarial Judgment* (R)
- 1** **Topic 2: Review of Statistics and Econometrics**
 BKM, Quantitative Review (Appendix A) (R)
 BP, Three classic Errors in Statistics, from Baseball to Investment Research (R)
 BP, What Practitioners need to Know...about Uncertainty (R)
 BP, What Practitioners need to Know... about t-Tests (R)
- 2** **Topic 3: Review of Regression**
 BP, What Practitioners need to Know... about Regressions (R)
- 3** **Topic 4: Diversification and Portfolio Theory**
 BKM, Chapters 1-5 (recommended only...but strongly recommended)
 Chapters 6 & 7.
- 3-4** **Topic 5: The Capital Asset Pricing Model: Theory, Evidence and Uses**
 BKM, Chapters 8, 9, & 13
 BP, The Cross-Section of Expected Stock Returns (R)
 BP, The CAPM and Equity Return Regularities (R)
- 5-6** **Topic 6: Factor Models: Theory, Evidence and Uses**
 BKM, Chapter 10 (and review Chapter 13)
 BP, The Arbitrage Pricing Theory Approach to Strategic Portfolio Planning (R)
 BP, Common Risk Factors in the Returns on Stocks and Bonds (R)
 BP, Contrarian Investment, Extrapolation, and Risk (R)
 BP, A Primer on Arbitrage Pricing Theory
 BP, The Interaction of Value and Momentum Strategies
 BP, What Practitioners need to Know... about Optimization
 BP, Practicing what they Teach & Ivory-Tower Investing

- 6** **Topic 7: Market Efficiency**
 BKM, Chapter 11 (12 is also recommended)
 BP, Are Seasonal Anomalies Real? A Ninety-Year Perspective (**R**)
 BP, Fama's Market – Are Stock Movements Predictable? (**R**)
 BP, Try This on Your Chartist
 BP, Anomalies: A Mean-Reverting Walk Sown Wall Street
- 7-8** **Topics 8 & 9: Managed Funds, Performance Measurement, & Style Analysis**
 BKM, Chapter 4
 Chapter 24
 BP, On Persistence in Mutual Fund Performance (**R**)
 BP, Asset Allocation: Management style and Performance Measurement (**R**)
 BP, An Anatomy of Morningstar Ratings
 BP, The Costs of Inefficiency
 BP, Articles on Trading Costs
- 8-9** **Topic 10: Predictability & Asset Management**
 BP, Why Not 100% Equities?
 BP, Shortfall risk and the asset allocation decision: A simulation analysis of stock and bond risk profiles
- 9-10** **Topic 11: Data Snooping: What It Is and Why It Matters (A Lot)**
- 10-11** **Topic 12: Bonds, the Term Structure, & Fixed Income Portfolios**
 BKM, Chapters 14, 15 & 16
- 11-12** **Topic 13: International Investments**
 BKM, Chapter 25
 BP, Expected Returns and volatility in 135 Countries (**R**)
 BP, Evaluating the Diversification Benefits of the New Country Funds
 BP, Parallels Between the Cross-Sectional Predictability of Stock and Country Returns
 BP, Value Vs. Growth: The International Evidence
- 12** **Topic 14: Hedge Funds & Alternative Investments**
 BP, Market-Neutral Strategy Limits Risk
 BP, Psst, we're market-neutral
 BP, Betting both ways on Japan

Note: This Reading List and Schedule serves as a guide for how I believe I'll conduct the course. However, our actual progress through the topics is of course endogenous and may differ from it.

The following are some suggestions for further reading:

Finance & Related:

1. Bernstein , Peter L , *Capital Ideas : The Improbable Origins of Modern Wall Street*, Free Press, 1993.
2. Burton G. Malkiel , *A Random Walk Down Wall Street : Including a Life-Cycle Guide to Personal Investing*,, 8th Edition, W.W. Norton & Company, 2004.
3. Elton, Edwin J, and Martin Gruber, *Modern Portfolio Theory and Investment Analysis*, 6th Edition, John Wiley & Sons, 2002 or later versions co-authored with Stephen Brown and Will Goetzmann.
4. Fama, Eugene F., *Foundations of Finance*, Basic Books, Inc, 1976 (out of print but available on Gene Fama's web site).
5. Haugen, Robert A., *The New Finance: The Case Against Efficient Markets*, Prentice Hall, 1995. (Or any book by Richard Thaler)
6. Scholes, Myron G., Mark A. Wolfson, *Taxes and Business Strategy: A Planning Approach*, Prentice Hall, 1992, and subsequent editions.

Statistics and Econometrics:

1. Hildebrand, David K., and Lyman Ott, *Statistical Thinking for Managers*, Duxbury Press, 1991(?).
 2. Greene, William H., *Econometric Analysis*, 5th Edition, Prentice Hall, 2002, and subsequent editions.
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