



Investment Analysis



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Module overview

This guide gives you an overview of Investment Analysis. More detailed information can be found on the DLWO (<https://dlwo.dem.hva.nl>)

1.1 Content

The module Investment Analysis provides you insight into the decision making process that is involved with the buying and selling of financial assets (i.e. securities). The module addresses four main areas of interest: 1. the background against which investment decisions are taken, including the functioning of financial markets, 2. the main contemporary investment theories, 3. the valuation of stocks and bonds, and 4. portfolio management. The module provides you with a thorough understanding of capital markets, which belongs to the core knowledge base of finance professionals that either operate in a corporate environment, or at financial institutions. The module will relate to several concepts that are discussed in the courses International Financial Accounting, Financial Risk Management, and Behavioural Finance, which are also part of the minor International Finance and Control. Overall, these four courses present you the cornerstones of International Finance.

1.2 Learning goals

#	You can:
1.	Examine the investment background an investment professional is confronted with, in particular the functioning of securities markets.
2.	Employ contemporary investment theories, in particular the Efficient Market Hypothesis, Modern Portfolio Theory, and the Capital Asset Pricing Model.
3.	Appraise the attractiveness of stocks, amongst others by using cash flow-based security valuation models that involve concepts such as dividend discounting, free cash flow to the firm, yield-to-maturity, and duration.
4.	Value the portfolio management performance of investment professionals based on contemporary measures such as the Sharpe ratio.

Appendix 1 defines the relationship of the learning goals within this module with your programme's profile competences.

1.3 Coherence with other modules

In order to successfully follow the module, prior knowledge of finance and accounting principles is required. In particular, on foundation level, you need to be familiar with the three main financial statements, financial ratio analysis, the time value of money concept, and capital budgeting. Students from the AUAS IBMS-programme obtain this knowledge in the courses Financial Management 1, Financial Management 2, Cases in Corporate Finance, and International Trade and Money. Students from other programmes, including exchange students, need to contact the minor coordinator to see whether their knowledge base is sufficient to follow the course.



Investment Analysis (INA) has a direct relationship to the courses International Financial Accounting (IFA), Financial Risk Management (FRM), and Behavioural Finance (BHF). IFA provides a foundation for INA as fundamental analysis requires comprehension of financial statements. The assessment of the risk of an investment is an integral part of any investment decision: INA will address how to apply risk management techniques, as discussed in FRM, to investment decisions. Finally, BHF will provide you with an understanding of the impact of (non-rational) human behaviour on capital markets. While overlap between the courses will be prevented as much as possible, linkages between the courses will be highlighted to present an integral perspective on International Finance.

1.4 Study materials & recommended further reading

Required study materials:

The module will use a custom edition of Investment Analysis and Portfolio Management by Reilly and Brown. The relevant chapters of this academic book have been included in this edition.

Study books					
Title	Author(s)	Publisher	Year	Edition	ISBN
Investment Analysis and Portfolio Management	Reilly & Brown	Cengage		Custom AUAS edition	

Recommended further reading:

During the semester, relevant and topical information will be made available via DLWO. In order to revisit foundation levels concepts in Finance, reviewing selected chapters from Fundamentals of Financial Management is advised. Furthermore, a number of popular (i.e. non-academic) titles are suggested reading to provide colour from a professional practitioner's perspective.

Books					
Title	Author(s)	Publisher	Year	Edition	ISBN
Fundamentals of Financial Management	Brigham & Houston	Cengage		Custom AUAS edition	978-1-3476-0
Random Walk Down Wall Street	Malkiel	Norton		Latest	
Too Big To Fail	Sorkin	Penguin		Latest	

1.5 Questions and who to contact

Questions about the module's content and study materials can be addressed to your lecturer(s) during the lessons. The consultation hours of the individual lecturers as well as their office location can be found in the lecturers' profile on the DLWO.



Set-up of this module

1.1 Teaching methodology

The module is designed to cover 12 weekly lectures of 150 minutes each. During the lectures, finance theory will be discussed, and you will apply your knowledge by working on exercises and problems. A direct link to current events in the capital markets will be made as much as possible. Furthermore, the lectures will be used to discuss the progress on the investment reports that you will prepare in small groups (see also 2.2).

1.2 Assignments

The assessment of INA will consist of a central written test (60%; see also 2.3) and an investment report (40%), which will be prepared in groups of 5 to 6 students. The purpose of the investment report is to provide a recommendation to buy or sell the shares of a public company. In a report of approximately 25 pages (excluding appendices), you will discuss the company's business model, the most important trends that affect future earnings and cash flows, your financial forecasts, and your company valuation; include all relevant financial tables and graphs. The report simulates a professional product, and should be seen as a commercial rather than an academic report. Nonetheless, requirements regarding APA referencing, as well as the IBS Reporting Guidelines remain in force. The report should be uploaded to the dropbox for the course Investment Analysis on DLWO. The assessment rubric for the report is attached to this document. The dates for handing in the report and for receiving grades and feedback will be communicated during the opening lecture of the semester. They will also be posted on DLWO.

In order for the assignment to succeed, you will need to work constructively within your group. In order to achieve this, you will monitor each other's contribution on a weekly basis. A peer assessment form will be made available to this end. In case a student does not contribute to group work structurally, the lecturer has the discretion to have this student fail the assignment.

1.3 Exams

There is one 120-minute central written exam that will be hosted after the lecture period has ended. The exam consists of open-end questions only, covering both calculation and conceptual questions. The exam covers all learning goals. During the exam, a simple calculator will be made available by the AUAS. A session will be hosted to enable students to review the grading of their individual exam.



1.4 Assessment

The assessment methods used in this module are summarised below. The table also shows how the grade for this module will be calculated.

#	Description	Form	Learning goal(s) #	Lecture week	Weight (%)
1	Investment report	Assignment	1+2+3+4	To be announced	40%
2	Test	Central written exam	1+2+3+4	S1 or S2 exam period	60%
					100%

1.5 Resit

If the average grade obtained for this module is below 5.5 you must do a resit. Which resit(s) you must do depends on which part(s) is/were insufficient. The different situations are illustrated in the table below.

Situation:	The resit will consist of the following test(s):	Your average module grade after resit will be calculated using the following weights:	The resit(s) will be scheduled in:
1	<ul style="list-style-type: none">Average grade for the whole module ≥ 5.5	No resit needed	N.A.
2	<ul style="list-style-type: none">Average grade for the whole module < 5.5		TBD

1.6 General regulations

- 1 You are required to prepare for lessons. If you come to class unprepared, the lecturer has the right to deny you access to the lesson. What is requested of you in terms of lesson preparation is stated below and/ or on the DLWO for this module.
- 2 You must bring a laptop to school for each class. It is your responsibility to make sure that the battery lasts throughout each lesson. If you fail to bring a laptop to class and/or if the battery does not last throughout class, this is regarded as not being prepared. A lecturer then has the right to deny you (further) access to that lesson.
- 3 The assignments will not be graded if the level of English is inadequate or if other non-compliance with the IBS Reporting Guidelines is verified. If that is the case, you have to hand in your assignment again in the appointed resit period.



1.7 Lesson plan

Below you will find a tentative lecture schedule for the course. The lecturer has the discretion to change the schedule.

Lecture week	Prepare for lesson	Lesson
1		<ul style="list-style-type: none"> ● Course introduction ● Chapter 1: Investment Process ● Chapter 2: Global Market Investment Decision ● Chapter 3: Securities Markets
2	<ul style="list-style-type: none"> ● Plan for Investment Report ● Review chapters 1+2+3 ● Prepare exercises 	<ul style="list-style-type: none"> ● Chapter 4: Efficient Capital Markets ● Chapter 5: Portfolio Management
3	<ul style="list-style-type: none"> ● Work on Investment Report ● Review chapters 4+5 ● Prepare exercises 	<ul style="list-style-type: none"> ● Chapter 6: Capital Market Theory
4	<ul style="list-style-type: none"> ● Work on Investment Report ● Review chapters 6 ● Prepare exercises 	<ul style="list-style-type: none"> ● Chapter 9: Overview Valuation Process
5	<ul style="list-style-type: none"> ● Work on Investment Report ● Review chapters 9 ● Prepare exercises 	<ul style="list-style-type: none"> ● Chapter 11: Industry Analysis ● Chapter 12: Company Analysis & Stock Valuation
6	<ul style="list-style-type: none"> ● Work on Investment Report ● Review chapters 11+12 ● Prepare exercises 	<ul style="list-style-type: none"> ● Chapter 13: Equity Portfolio Management Strategies
7	<ul style="list-style-type: none"> ● Hand in draft version Investment Report ● Review chapters 13 ● Prepare exercises 	<ul style="list-style-type: none"> ● Group-by-group discussions Investment Report
8	<ul style="list-style-type: none"> ● Work on Investment Report 	<ul style="list-style-type: none"> ● Chapter 15: Analysis & Valuation of Bonds ● Chapter 17: Derivative Markets & Securities
9	<ul style="list-style-type: none"> ● Work on Investment Report ● Review chapters 15+17 ● Prepare exercises 	<ul style="list-style-type: none"> ● Chapter 20: Professional Money Management, Alternative Assets & Industry Ethics¹ ● Chapter 21: Evaluation Portfolio Performance
10	<ul style="list-style-type: none"> ● Work on Investment Report ● Review chapters 20+21 ● Prepare exercises 	<ul style="list-style-type: none"> ● Extra lesson
11	<ul style="list-style-type: none"> ● Finalise and submit Investment Report ● Review all materials 	<ul style="list-style-type: none"> ● Group-by-group discussions Investment Report
12	<ul style="list-style-type: none"> ● Review all materials 	<ul style="list-style-type: none"> ● Q&A ● Exam training
13		EXAMS



1 This lecture includes the topics social responsibility and sustainability.

Appendix 1: Relationship with your programme's profile competencies

LG	You can:
1.	Examine the investment background an investment professional is confronted with, in particular the functioning of securities markets.
2.	Employ contemporary investment theories, in particular the Efficient Market Hypothesis, Modern Portfolio Theory, and the Capital Asset Pricing Model.
3.	Appraise the attractiveness of stocks, amongst others by using cash flow-based security valuation models that involve concepts such as dividend discounting, free cash flow to the firm, yield-to-maturity, and duration.
4.	Value the portfolio management performance of investment professionals based on contemporary measures such as the Sharpe ratio.

LG	IBMS Profile Competencies
1.	International finance & accounting
2.	International finance & accounting
3.	International finance & accounting
4.	International finance & accounting

LG	TMA Profile Competencies <i>(for Global Trade and Supply Chain Management modules)</i>
1.	N/A
2.	N/A
3.	N/A
4.	N/A



Appendix 2: Assessment model(s)

Assessment of the Investment Report

Preconditions for having the investment report graded are an adequate level of English, a coherent report structure, and general adherence to the IBS Reporting Guidelines.

Criterion 1: Research (30%)

10-8: Outstanding to good	7.99-5.5: Reasonable to passable	5.49-1: Fail
<ul style="list-style-type: none"> The report is almost complete in using relevant information. The report draws its information from an array of different sources. 	<ul style="list-style-type: none"> The report uses relevant information, although material information is absent. The report is based on a handful of different sources. 	<ul style="list-style-type: none"> The report provides little relevant information. The report is based on only one or two sources.

Criterion 2: Analysis (40%)

10-8: Outstanding to good	7.99-5.5: Reasonable to passable	5.49-1: Fail
<ul style="list-style-type: none"> Findings are presented and interpreted in detail; conclusions are well-founded and relevant. A critical evaluation is provided of risks and opportunities. 	<ul style="list-style-type: none"> Findings are presented and interpreted, but may be limited or superficial. Conclusions are superficial. Limited critical review is provided. 	<ul style="list-style-type: none"> Presentation of findings is limited to what serves the purpose, and analysis remains descriptive without reflection. The relevance does not convince, or is missing. No critical review is provided.

Criterion 3: General Conclusion (30%)

10-8: Outstanding to good	7.99-5.5: Reasonable to passable	5.49-1: Fail
<ul style="list-style-type: none"> The analysis builds up to a logical general conclusion. The general conclusion is a thorough but concise investment advice, presented in a clear key message. Executive summary is brief and offers complete overview. 	<ul style="list-style-type: none"> The general conclusion can be deduced from the analysis, although not all elements of the analysis are incorporated. The general conclusion constitutes an investment advice, although the report does not capture it in a concise key message. Executive summary is too long, with too many details. 	<ul style="list-style-type: none"> It is unclear how the general conclusion is drawn from the analysis provided. The general conclusion does not take the form of an investment advice. Executive summary is hard to follow, or incomplete.