Aston Business School
Birmingham

BFM102 VALUATION OF INVESTMENTS

Academic Year 2011/12

Number of Aston Credits:	30
Number of ECTS Credits:	15

Module Runs Over 2 Terms

Staff Member Responsible for the Module:

Dr Hugh Colaco, Finance, Accounting and Law Group
ABS Building, 417, Extension, 3156
Availability: See 'office hours'
Or contact the Finance, Accounting & Law Group Administrator:
Mrs Rosaleen Shirley, Room ABS 404, Extension 3238

Other Staff Teaching the Module

Dr Leonidas Tsiaras,. Finance, Accounting and Law Group
ABS Building, 429, Extension, 3251
Availability: See 'office hours'
Or contact the Finance, Accounting & Law Group Administrator:
Mrs Rosaleen Shirley, Room ABS 404, Extension 3238

Pre-requisites for the Module:

Module available on MSc Finance and Investments and MSc Investment Analysis

Mode of Attendance:

On-Campus, daytime

Module Objectives and Learning Outcomes:

This module provides an understanding of security valuation and portfolio management, within the fixed income and derivative markets. The first term will be concerned with the valuation and management of fixed income securities and futures contracts, while the second term will focus on the pricing of options contracts, exotic derivatives, corporate securities, swaps and credit risk.

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On completion of the module, students should be able to:

- Understand the different measures of yield on a bond
- Explain and apply the present value model of bond prices under certainty and uncertainty
- Understand the relations between spot and forward interest rates
- Understand and explain the role of duration and convexity in bond portfolio
- management
- Understand the relations between spot and forward interest rates
- Understand the determinants of futures prices
- Characterise the no-arbitrage bounds on option prices
- Apply option pricing models
- Understand the pricing of interest rate options
- Understand and explain the fundamentals of credit risk
- Explain trading and hedging strategies with options and futures

Module Content:

Week 1	Fixed income instruments and markets
Week 2	Bond valuation 1
Week 3	Bond valuation 2
Week 4	Bond valuation 3
Week 5	Bond valuation 4
Week 6	Bond portfolio management
Week 7	Futures markets and trading
Week 8	Hedging with futures
Week 9	Revision
Week 10	Class Test
Week 11	Options markets and trading
Week 12	Principles of options pricing
Week 13	Binomial and Black Scholes Option pricing models
Week 14	Investment strategies with options

Week 15	Exotic options and futures contracts
Week 16	Interest rate derivatives
Week 17	Corporate bond valuation FRAs and Swaps
Week 18	Credit risk
Week 19	Revision
Week 20	**Final Examination**

Corporate Connections

The module will draw on the experience of investment professionals wherever possible.

International Dimensions:

In the presence of global financial markets, the study of finance and investments naturally transcends national boundaries. Finance theory is applicable regardless of setting, and this module will draw on a large body of international empirical evidence.

Contribution of Research:

At the level of an advanced MSc programme, module content will always connect directly with the research literature. Although there will be reference to textbooks, it will be essential to read the prescribed research papers to gain the most from this module. This reading will include both classics in the literature and the latest international research.

Method of Teaching:

Classroom-based teaching and learning will comprise a sequence of lectures (3 hours per week) that will be the primary mode of delivery of the knowledge required to achieve the learning outcomes. In addition to formal class contact hours, students are expected to follow the suggested learning hour~ guide, in allocating time for private study.

Method of Assessment and Feedback:

This module will be assessed by a 1.5 hour unseen, closed book final exam at the end of Term 2, and a 1.5 hour unseen closed book class test at the end of Term 1.

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Feedback will be through tutor meetings. Each component of assessment counts for 50 percent of the marks for the module.

Learning Hours:

Contact hours	60
Directed Learning - Exercises	100
Further Private Study	140
Total	**300**

Essential Readings:

Fabozzi, F., *Fixed Income Analysis (CFA Institute Investment Series)*, 2nd Ed (2007), Wiley.
Hull, J., *Options, Futures and Other Derivative Securities*, Prentice Hall

Other Readings:

Bodie, Z., A. Kane and A. Marcus, *Investments*, McGraw Hill, 7th edition, 2008.