

E014	Financial asset management	L	P	S	ECTS 4
		2	0	1	

Course objectives. To illustrate basic principles of capital market and explain theoretical concepts of financial assets management and their applications.

Prerequisites. Probability.

Course content.

1. Types of financial assets. Fixed income instruments types. Stocks, types and characteristics. Real estate and investment income. Derivatives (options, forward and future contracts, swaps). Alternative instruments. Investment funds.
2. Capital markets. Types and sizes of markets for various financial instruments. Capital market participants. Liquidity. Stock indexes. Factors affecting capital markets. Croatian capital markets.
3. Modern portfolio theory. Investment risk. Risk dispersion. Principles and basic results of modern portfolio theory (efficient frontier, market portfolio, Capital Asset Pricing Model).
4. Pricing financial instruments. Bonds: yields and pricing models by interest rate modelling (binomial models). Stocks: pricing and risks. Derivatives.
5. Evaluating the investment process. Evaluation techniques. Investment costs: direct and indirect costs. The advantage of investing in mutual funds. Investment goals and strategies. Comparison of passive and active strategies. Comparison with index. Tax aspects.

LEARNING OUTCOMES

No.	LEARNING OUTCOMES
1	Demonstrate properties of the models covered in the course.
2	Explain capital market and risks.
3	Evaluate financial assets portfolios and estimate risk.
4	Describe practical aspects of portfolio management.
5	Critically analyse the model, its usefulness, possible applications and limitations.
6	Critically study and apply new literature for financial securities management.

RELATING THE LEARNING OUTCOMES, ORGANIZATION OF THE EDUCATIONAL PROCESS AND ASSESSMENT OF THE LEARNING OUTCOMES

TEACHING ACTIVITY	ECTS	LEARNING OUTCOME **	STUDENT ACTIVITY*	EVALUATION METHOD	POINTS	
					min	max
Attending lectures and exercises	0,5	1-6	Lecture attendance, discussion, team work and independent work on given tasks	Attendance lists, tracking activities	0	4
Homework	0,5	1-6	Solving theoretical and practical problems	Evaluation	0	4
Written exam (Mid-terms)	1	1-6	Preparing for written exam	Evaluation	25	46

Final exam	2	1-6	Revision	Oral exam	25	46
TOTAL	4				50	100

Teaching methods and student assessment. Lectures and seminars are mandatory. The final exam is taken upon the completion of lectures and exercises and it consists of two parts, a written and an oral part. Acceptable mid-term exam scores replace the written examination. Students may influence their final grade by doing homework or preparing a seminar paper.

Can the course be taught in English: Yes

Basic literature:

1. E.J. Elton, M.J. Gruber, S.J. Brown, W.N. Goetzmann, Modern portfolio theory and investment analysis, John Wiley & Sons, 2009.

Recommended literature:

1. C. Alexander, Market risk analysis, quantitative methods in finance, Vol. 1, John Wiley & Sons, 2008.
2. J.Y. Campbell, A.W. Lo, A.C. MacKinlay, The econometrics of financial markets, Princeton University Press, 1997.
3. J.C. Hull, Options futures and other derivatives, Pearson Education India, 2003.
4. B.G. Malkiel, A random walk down Wall Street: the time-tested strategy for successful investing, WW Norton & Company, 2007.