
McGill University
Fall 2014

**FINE-480/660:
Global Investments / Global Investment Management**

Prof. Sergei Sarkissian

<http://sergei-sarkissian.com>

Class Time:	WED 18:05-20:55
Class Location:	SBB 179
Office Hours:	WED 5:15-5:45pm & by appointment
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Prerequisites:

- FINE-441 – Investments and Portfolio Management / Coursework on Investments
- FINE-482 – International Finance I or equivalent
- Knowledge of basic statistical analysis
- Knowledge of Excel or other numerical application software

Course Description:

This course familiarizes students with major principles of international investments and global asset allocation. It focuses on recent theoretical and practical developments in modeling and predicting global asset returns covering both unconditional and conditional approaches in asset pricing. It also discusses main approaches to stock selection, style investing, and special issues in international investments such as indirect diversification and country and industry effects in equity pricing. The main purpose of the course is to help students develop their own top-down portfolio management skills as well as basic understanding of the bottom-up investment approach. A non-separable part of the course is to learn how to use various financial data sources. To succeed in this course, a student must have both good economic intuition and descent quantitative skills.

Course Materials:

Required:

Readings are available from my web site.

Recommended:

Global Investments, 6-th edition, by Bruno Solnik and Dennis McLeavey, Pearson Addison Wesley, 2009.

Grading:

Participation	10% (5% passive, 5% active)
Two Quizzes	20% (10% each)
Group Assignment 1	20%
Group Assignment 2	25%
Group Assignment 3	25%

General Policy:

Your physical presence in class (which will be checked randomly) will guarantee you a half of your participation grade. The remaining half is based on your active but constructive participation in class. Everyone is expected to be well prepared for each class discussion.

Group assignments are due at the beginning of class. No late assignments will be accepted. Groups should consist of four or five people. The group composition must be known by the end of the second week of classes and remain unchanged after that. After the formation of the group, one of its members should e-mail me the list of all people in the group and their e-mail addresses. The first assignment consists of two parts. There are two 40-minute close book close note quizzes.

Honor Code:

Since there are no major exams that would fully determine the level of understanding of the course material of individual students, group assignments must be completed solely by the members of the group. Cross-group work is not allowed. Moreover, similar assignments have been offered before at McGill and other universities. Any use of information from previous assignments is prohibited. Failure to respect this rule constitutes dishonesty and is a direct violation of the University Honor Code.

Group Participation Evaluation:

After the completion of each assignment, each student is required to submit the “*Group Participation Form*.” You should be considerate but honest in filling out this form since it might affect the individual grade for the respective assignment of every member of your group including yours. The individual grade can be higher or lower than the original one given to the entire group. An equal effort by each group member to complete the assignment should be sufficient to preclude any deviation of the individual grade from the group grade.

Warning:

Students are discouraged from actual investing during the course and I assume no liability for any investments, inferred investment advice and outcomes, should the student participate in actual investing, during or as a result of this course.

Required Readings

1. Black, F. and R. Litterman, 1992, "Global Portfolio Optimization," *Financial Analysts Journal* 48, 28-43.
2. He, G. and R. Litterman, 1999, "The Intuition Behind Black-Litterman Model Portfolios," *Goldman Sachs Investment Management Research*.
3. Black, F. 1989, "Universal Hedging: Optimizing Currency Risk and Reward in International Equity Portfolios," *Financial Analysts Journal* 45, 16-22.
4. Adler, M. and P. Jorion, 1992, "Universal Currency Hedges for Global Portfolios," *Journal of Portfolio Management* 18, 28-35.
5. Ferson, W. and C. Harvey, 1994, "Sources of Risk and Expected Returns in Global Equity Markets," *Journal of Banking & Finance* 18, 775-803.
6. Solnik, B., 1993, "The Performance of International Asset Allocation Strategies using Conditioning Information," *Journal of Empirical Finance* 1, 33-55.
7. Ferson, W., S. Sarkissian, and T. Simin, 2003, "Is Stock Return Predictability Spurious?," *Journal of Investment Management* 1, 1-10.
8. Heston, S. and K.G. Rouwenhorst, 1995, "Industry and Country Effects in International Stock Returns," *Journal of Portfolio Management* 21, 53-58.
9. Ferson, W., and V. Warther, 1996, "Evaluating Fund Performance in a Dynamic Market," *Financial Analysts Journal* 52, 20-28.

Course Schedule

Date	Topic	Remarks
Sep. 3	Review of Investments and International Finance	Review topic
Sep. 10	International Diversification	Chapter 9, pp. 385-415 Chapter 5, pp. 185-196
Sep. 17	Investment Styles	Chapter 13, pp. 592-593
Sep. 24	Issues in Global Asset Allocation	Chapter 13, pp. 610-620 Readings 1, 2
Oct. 1	Currency Hedging and Overlay	Reading 3, 4 Assn. 1 (1st part) due
Oct. 8	Asset Management Tools: Statistics and Data	Quiz 1
Oct. 15	International Asset Pricing Models	Chapter 4
Oct. 22	Global Asset Pricing: Unconditional Framework	Assn. 1 due Chapter 6, pp. 292-296 Reading 5
Oct. 29	Global Asset Pricing: Conditional Framework	Readings 6, 7
Nov. 5	Attribute-Based Asset Pricing	
Nov. 12	Global Performance Evaluation	Assn. 2 due Chapter 12 Reading 8
Nov. 19	Country and Industry Effects in Equity Pricing	Chapter 6, pp. 217-232 Reading 9
Nov. 26	Review	Quiz 2 Assn. 3 due