



PPHA 42510 APPLIED FINANCIAL MANAGEMENT Spring 2018

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COURSE SUMMARY

This course will cover topics in investments – securities and financial markets. The goal is to de-mystify financial markets – bonds, equities, derivatives – and to provide you with the tools and the practical knowledge to solve problems and understand financial decision-making. There is no formal pre-requisite but you should have some prior exposure to finance, NPV calculations, and financial markets – for example a finance course as an undergraduate or studying for the CFA exams. (Booth courses BUS 35001 (Introductory Finance) or BUS 35200 (Corporate Finance) will give background you need. BUS 25000 (Investments) will have some duplication with this course.)

The first five weeks of the quarter will cover the basics of investments and securities markets – bonds, equities, derivatives, portfolio theory and risk. The final four weeks will cover three special topics: sustainable finance, municipal markets (focusing on municipal swaps) and quantitative risk management.

The focus for the course will be practical, building on the instructors' extensive practical experience in the derivatives markets and hedge fund management. We will learn how these instruments really work and how the tools are actually used in the markets.

TEXTS: The main material for the course is what I cover in class, in lectures. I will usually post slides after the class. There are two "texts":

- *Investments* by Zvi Bodie, Alex Kane, Alan J. Marcus .
- Additional essays on Canvas (my "Practical Guide to Bonds and Swaps"; "Risk-Adjusted Discounting"; "Forward Curves and Discounting")

CALCULATOR

You will need a calculator throughout the course. I strongly recommend the HP 17BII+. Choices:

- The actual calculator, on-line at Amazon for somewhere between \$30 & \$90. Very retro.
- iPhone and iPad app: RLM Software has an excellent \$4.99 HP 17BII+ app: Search for "rlm-17BII" or "r.l.m software" in the App Store. Also <http://www.rlmttools.com/iPhone/17BII/Detail.html>
- A good for iPhone and Android, \$4.99 Power One Finance Pro Calculator by Infinity Softworks

PROBLEMS

Problems will be assigned and due about every one-and-a-half weeks. The problems will be more like business school case studies than standard problem sets. As in business school case studies, you should form study groups to solve and write-up the problems. Study groups must be no more than four persons.

Each study group should work together on solving the problem, and should hand in a single write-up of the solution. Everyone in a study group will get the same grade for the problem. If you work on the problems and understand them, you should pass the exams; if you do not work on the problems, you will probably not pass the exams.

GRADING

There will be a midterm and final exam. The weighting will be approximately 20% for the problems, 35% for the midterm, and 45% for the final. The final will be cumulative, i.e. cover the entire course.