

## INTERNATIONAL BUSINESS DEPARTMENT

COURSE NUMBER: IBUS 277 Spring 2005

COURSE TITLE: International Portfolio Management

COURSE DESCRIPTION: This class is conducted in a mixture of seminar and lecture formats, and active participation is expected. The focus of the course is on international portfolio investment. The emphasis is on emerging equity markets, and hands-on portfolio construction.

PREREQUISITES: Familiarity with exchange rates (e.g., MBAD 240 or ECON 284), and introductory finance and CAPM (e.g., MBAD 250); use of spreadsheets.

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Office Hours: Tuesday 3-5 (starting 8 march), Thursday 3-5, and by appointment

REQUIRED TEXTBOOKS: Solnik & McLeavey, International Investments, 5<sup>th</sup> ed., Pearson Addison Wesley, 2004. (S&M)

Elton, Gruber, et al, Modern Portfolio Theory and Investment Analysis, 6<sup>th</sup> ed., Wiley, 2003. (E&G)

**RECOMMENDED  
TEXTBOOKS:**

Bank for International Settlements (BIS), 74<sup>th</sup> Annual Report, 2003-2004 (on the BIS website): [www.bis.org/publ/ar2004e.htm](http://www.bis.org/publ/ar2004e.htm)

IMF, Global Financial Stability Report, (on the IMF website):  
<http://www.imf.org/external/pubs/ft/gfsr/index.htm>

**ASSIGNMENTS:**

Besides the books and other readings (see attached reading list), class participation is expected, a computer spreadsheet analysis, a group portfolio project and in-class presentation, and an in-class exam are required.

**METHOD OF  
GRADING:**

Portfolio project and presentation	40%
In-class test	40%
Spreadsheet analysis	10%
Class participation	10%

**NOTE:**

Attendance at the group portfolio-presentation sessions is mandatory for those taking the course for credit.

**IBUS 277 INTERNATIONAL PORTFOLIO MANAGEMENT  
SPRING 2005 SCHEDULE**

1.    jan 27        Course Overview
2.    feb 3        International Equities I
3.    feb 10       International Equities II
4.    feb 17       Emerging Markets
5.    feb 24       International Portfolio Diversification I
6.    mar 3        International Portfolio Diversification II
7.    mar 10       FX Rates and Asset Prices I
- mar 17        spring recess*
8.    mar 24       FX Rates and Asset Prices II
9.    mar 31       International Asset Pricing Models -- ICAPM and IAPT
10.   apr 7        Case Studies of National Equity Markets
11.   apr 14        Assessing International Investment Performance  
      Catch-up and Review
12.   apr 21        **EXAMINATION** (open book, open notes, etc.)
13.   apr 28        class presentations
14.   may 5

# *IBUS 277 International Portfolio Management Syllabus & Readings*

*Professor Robert J. Weiner*

## 1. Course Overview

Review: S&M, Ch 1-3

## 2.-3. International Equities

S&M, Ch 5, 6 (to p. 292)

IMF, *Global Financial Stability Report (GFSR)*, Sept 2004, Ch II (SKIM pp. 8-25)

Bank for International Settlements (BIS), *74<sup>th</sup> Annual Report 2003-2004*, Ch VI (SKIM to p.114)

Desai et al, "Cross-Border Listings and Depository Receipts" Harvard Business School Note 9-204-022, 2004

Aggarwal, "Demutualization and Corporate Governance of Exchanges," *Journal of Applied Corporate Finance*, Spring 2002

Annual Report on Form 20-F, filed with the U.S. Securities and Exchange Commission, SKIM for any ADR. e.g. *British Petroleum 2001*

[www.freecdgar.com/search/ViewFilingsData.asp?CIK=313807&Directory=313807&Year=02&SECIndex=18&Extension=.tst&PathFlag=0&nStartLoc=922&nEndLoc=1300779&TextFileSize=1300795&DateFiled=3/28/2002&FormType=20-F&SFType=&SDFiled=&tabletype=1&tablename=&SourcePage=FilingsResults&OFMSource=&UseFrame=1&CompanyName=BP+PLC](http://www.freecdgar.com/search/ViewFilingsData.asp?CIK=313807&Directory=313807&Year=02&SECIndex=18&Extension=.tst&PathFlag=0&nStartLoc=922&nEndLoc=1300779&TextFileSize=1300795&DateFiled=3/28/2002&FormType=20-F&SFType=&SDFiled=&tabletype=1&tablename=&SourcePage=FilingsResults&OFMSource=&UseFrame=1&CompanyName=BP+PLC)

### Case-Study: Daimler-Benz/Daimler-Chrysler

Radebaugh, Gebhart, and Gray, "Foreign Stock Exchange Listings: Daimler Benz," *Journal of International Financial Management and Accounting*, Summer 1995

Karolyi, "DaimlerChrysler AG, the First Truly Global Share," *Journal of Corporate Finance*, Sept. 2003

*Optional Background* Klapper et al, "The Development of Mutual Funds Around the World," *Emerging Markets Review*, March 2004

## 4. Focus: Emerging Markets

S&M, pp. 486-491

BIS, SKIM Ch III

IMF, *GFSR*, September 2004, pp. 25-29, SKIM Ch IV

Woodridge et al, "Changing links between mature & emerging financial markets" *BIS Quarterly Review: International Banking and Financial Market Development* September 2003, pp. 45-54 [http://www.bis.org/publ/qtrpdf/r\\_qt0309e.pdf](http://www.bis.org/publ/qtrpdf/r_qt0309e.pdf)

*Optional Background* Bekaert and Harvey, "Emerging Markets Finance," *Journal of Empirical Finance*, February 2003

## 5-6. International Portfolio Diversification

S&M, Ch 9 (to p. 486)

E&G, Ch 4-7, 12

Ahearne et al, "Information Costs and Home Bias: An Analysis of US Holdings of Foreign Equities," *Journal of International Economics*, Mar 2004, pp. 313-336

Amato and Tsatsaronis, "Is There a "Nasdaq Effect" in Emerging Equity Markets?" *BIS Quarterly Review: International Banking and Financial Market Development* June 2001, pp. 40-48 [http://www.bis.org/publ/r\\_qt0106e.pdf](http://www.bis.org/publ/r_qt0106e.pdf)

Levy and Lerman, The Benefits of International Diversification in Bonds, *Financial Analysts Journal*, Sept-Oct 1988, also reprinted in Kolb, 1993

Case-Study: The Great Crash of '87

Roll, The International Crash of October 1987, *Financial Analysts Journal*, Sept-Oct 1988, also reprinted in Kolb, 1993

## 7-8. FX Rates and Asset Prices

S&M, Ch 11 (to p. 584)

BIS, Ch V (SKIM to p. 85)

Bernard and Galati, "The Co-Movement of US Stock Markets and the Dollar" *BIS Quarterly Review: International Banking and Financial Market Development* Aug 2000, pp. 31-34 [http://www.bis.org/publ/r\\_qt0008e.pdf](http://www.bis.org/publ/r_qt0008e.pdf)

Pérol and Schulman, The Free Lunch in Currency Hedging, *Financial Analysts Journal*, May-June 1988

Browne, The Case for Not Hedging, in Aliber and Bruce, eds., *Global Portfolios: Quantitative Strategies*, 1991

## 9. International Asset Pricing Models -- ICAPM and IAPT

S&M, Ch 4, Ch 6 (from p. 292)

E&G, Ch 13, 16

Case-Study: Nestlé

Stulz, Globalization of Capital Markets and the cost of Capital: the Case of Nestlé, *Journal of Applied Corporate Finance*, Fall 1995

## 10. Case Studies of National Equity Markets

JAPAN

French and Poterba, Were Japanese Stock Prices too High?, *Journal of Financial Economics*, Oct 1991

CANADA

Jorion and Schwartz, The Canadian Stock Market: Integration vs. Segmentation, *Journal of Finance*, July 1986

Mittoo, Globalization and the Value of US Listing: Revisiting Canadian Evidence,"  
*Journal of Banking and Finance*, Sept 2003

THAILAND

Bailey and Jagtiani, Foreign Ownership Restrictions and Stock Prices in the Thai  
Capital Market, *Journal of Financial Economics*, Aug 1994

INDIA

Krishnamurti et al, "Stock Exchange Governance and Market Quality," *Journal of  
Banking and Finance*, Sept 2003

11. *Assessing International Investment Performance, Catch-up and Review*

S&M, Ch 12,13

E&G, Ch 24, 26

IMF, *GFSR*, April 2004, Ch IV; September 2004, Ch III

Fender, "Institutional asset managers: industry trends, incentives, and implications for  
market efficiency" *BIS Quarterly Review: International Banking and Financial Market  
Development* September 2003, pp. 75-86

[http://www.bis.org/publ/qtrpdf/r\\_qt0309h.pdf](http://www.bis.org/publ/qtrpdf/r_qt0309h.pdf)

12. *EXAMINATION*

13,14. group presentations