COURSE DESCRIPTION

This is an advanced, modern finance course with the objective of studying indices and Exchange Traded Funds (ETFs) and their application in investment management. The course is divided into two major segments. The first provides a comprehensive overview of the theories and practical experience that are the foundations for indexing, including a review of passive and active management, a deep dive into the types and uses of indices and best practices in benchmark construction necessary to fully understanding ETFs. The second segment provides a thorough examination of ETFs, including their anatomy, mechanics, application in investment strategy, and eco-system of industry participants.

The course is designed to be comprehensive covering the topics of Indexing and ETFs, while being contemporary and practical with the content and access to resources and industry participants. Class time will include lectures using PowerPoint Presentations and periodic appearances of guest speakers from across the Financial Services industry. Students will gain useful knowledge about the business of indexing and ETFs and understand how to navigate the eco-system of industry participants to pursue and advance their careers.

COURSE MATERIALS

- Blackboard and email will be used
- No textbook is required, however, recommended books include:

- White Papers and Articles will be suggested throughout the course as appropriate

- Use of various specific websites will be suggested strongly and include:
  - index.barcap.com (website for Barclays Indices)
CLASS ORGANIZATION & ADMINISTRATION

Prerequisites

To best take advantage of this class students should have a good understanding of statistics, macroeconomics, microeconomics and a basic understanding of capital markets and portfolio analysis.
Classroom Conduct

Students are expected to behave with respect for instructor and classmates. This includes hand-raising for questions and comments, silencing cell phones and laptops, using name cards as instructed and avoiding eating in the classroom.

Learning Goals and Objectives

Students completing this course should be able to:

A. Understand the origins and role of indexing in investment management
B. Understand market-capitalization weighted indices (and alternatives)
C. Discuss the multiple dimensions of indexing
D. Understand Best Practices in Index Construction
E. Understand implications in passive versus active management
F. Understand the evolution and progression of Exchange Traded Funds (ETFs)
G. Understand the mechanics of ETFs in Primary and Secondary Markets
H. Understand and discuss the benefits of ETF use
I. Analyze ETFs in the context of investment strategy
J. Access data and information and the providers

FINAL GRADE ASSIGNMENT

A. Mid-term and final examinations will account for 90% of final grade
   1) Exams will include multiple choice questions and essays
   2) No cell phones or other electronics will be allowed in testing room
   3) You must show a valid Rutgers photo ID to enter the room and to turn in the exam
   4) Alternate seating is required
   5) There will be no intended grade distribution

B. Class participation will be judged by instructor and count for 10% of final grade
   1) Attendance will be recognized (if campus is open class will be held)
   2) Discussion will be noted
COURSE SCHEDULE

A. Understand the origins and role of indexing in investment management
   1) Review Portfolio Management (Asset Allocation, Optimal Portfolios)
   2) Discuss alpha/beta relationship
B. Understand market-capitalization weighted indices
   1) Evolution of U.S. stock market benchmarks
   2) Familiarize broad market and popular indices
C. Discuss the multiple dimensions of indexing
   1) Market uses and users
   2) Key distinctions between market indices
D. Understand Best Practices in Index Construction
   1) Compilation
   2) Calculation
   3) Maintenance
   4) Distribution
   5) Asset classes represented by indices
   6) Classification and Segmentation (Industry, Geography, and Styles)
E. Understand the implications of indices in passive and active management
   1) Overview of benchmarks versus tradable indices
   2) Overview of index funds and derivatives
   3) Industry Trends
F. Understand the evolution of Exchange Traded Funds (ETFs)
   1) ETFs innovative vehicle for index tracking
   2) Regulatory compliance defines the boundaries
G. Understand the mechanics of ETFs in Primary and Secondary Markets
   1) ETFs as an investment vehicle
   2) The mechanics of ETFs and the Eco-system of participants
   3) Pricing ETFs
   4) Real costs involved
H. Industry
   1) Review the scope, participants and products
   2) Introduce next generation structure
I. Understand and discuss the benefits of ETFs
   1) Review the compelling features
   2) Examples of benefits to different users/investors

J. Analyze ETFs in the context of investment strategy
   1) Passive, Active, Blended
   2) Smart Beta

K. Access data and information
   1) Overview of popular sources for data, news and information
   2) Examples of industry participants

L. Industry Trends

Academic Integrity

Students are responsible for understanding the RU Academic Integrity Policy (http://academicintegrity.rutgers.edu/files/documents/AI_Policy_2013.pdf). This policy will be strongly enforced.

Bibliography


*The Wall Street Journal.*