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.

Blackboard and email will be used

No textbook is required, however, recommended books include:

- Hill, Joanne M; Nadig, Dave; Hougan, Matt; *A Comprehensive Guide to Exchange-Traded Funds* (ETFs), 2015 (CFA Bookstore, or online at http://www.cfapubs.org/toc/RF/2015/3)

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

Use of various specific websites will be suggested strongly and include:
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 and alternatively-weighted indices
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 the objectives, construction, maintenance of ETF portfolios
I. Understand and discuss the benefits of ETF use
J. Analyze ETFs in the context of investment strategy
K. Understand data and information used by Index Providers, ETF Sponsors and their clients

---

**PREREQUISITES**

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

---

**METHOD OF INSTRUCTION**

A. Lectures (notes will be made available the night after the class)
B. Suggested Reading (will be communicated in class and via Blackboard)
C. Guest Speakers

---

**COURSE CONTENT**

A. Course Foundation
   1) Overview of Beta/Alpha in Investment Management
   2) Review of Investment Risk
B. Indexing
   1) Role in Investment Management
   2) Uses of Indices
C. Popular Indices
D. Evolution of Popular Indices
E. Multiple Dimensions of Indexing
F. Equity Index Methodology (Understand Best Practices in Index Construction)
   1) Compilation
   2) Calculation
   3) Maintenance
   4) Distribution
G. Issues with Market-cap Weighting
H. Smart Beta Strategy and Indices
I. Fixed Income Indices
J. Commodity Indexes
K. Real Estate Indexes
L. Hedge Fund Indices
M. 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
N. Overview on the evolution of Exchange Traded Funds (ETFs)
   1) ETFs innovative vehicle for index tracking
   2) Regulatory compliance defines the boundaries
O. 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
P. Industry
   1) Review the scope, participants and products
   2) Introduce next generation structure
Q. Understand and discuss the benefits of ETFs
   1) Review the compelling features
   2) Examples of benefits to different users/investors
R. Analyze ETFs in the context of investment strategy
   1) Passive, Active, Blended
   2) Smart Beta
S. Access data and information about ETFs
   1) Overview of popular sources for ETF data, news and information
   2) Examples of industry participants
T. Industry Trends

**METHOD OF EVALUATION**

A. Two quizzes and a final project will account for 95% of final grade
   1) Quizzes will include multiple choice questions
   2) No cell phones or other electronics will be allowed in testing room
   3) There will be no intended grade distribution
4) The semester project will be explained after the first few weeks and must be approved by the mid-term date and submitted by the final week of class.

B. Class participation will be judged by instructor and count for 5% of final grade
   1) Attendance will be recognized (if campus is open class will be held)
   2) Discussion will be noted

CLASSROOM CONDUCT

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

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.