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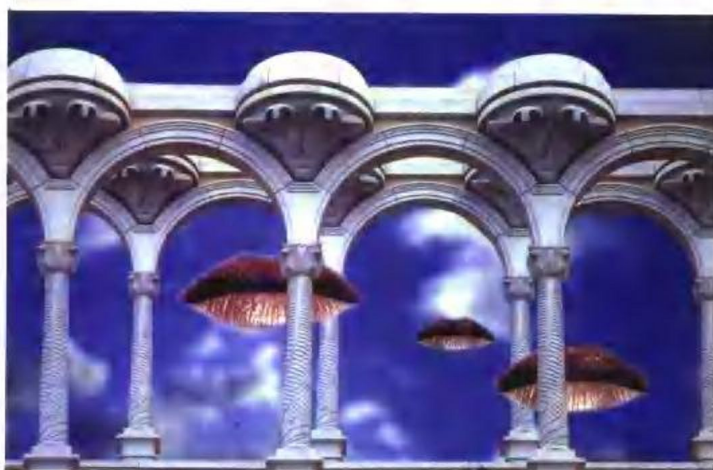
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投资管理基础

FUNDAMENTALS OF
INVESTMENT MANAGEMENT

(FIFTH EDITION)

GEOFFREY A. HIRT
STANLEY B. BLOCK



世界财经与管理教材大系



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出版者的话

但凡成事，均缘于势。得势则事成，失势则事不顺。顺势而行，如顺水行舟；借势而动，如假梯登高；造势而为，如太空揽月。治学、从政、经商、置业，均不可一日失势。势者，长处、趋势也。

今日中国，是开放的中国；当今世界，是开放的世界。改革开放，大势所趋，势不可挡。经济开放、文化开放、政治开放，世界需要一个开放的中国，中国更要融入开放的世界。借鉴国际惯例，学习他人之长，已经到了不可不为之时。

借鉴国际惯例，学习他人之长，已属老生常谈，但学什么、如何学、何为蓝本为众多志士仁人所关注。可喜的是，由赤诚图文信息有限公司精心策划，ITP、McGraw-Hill 及 Simon & Schuster 等国际出版公司特别授权，东北财经大学出版社荣誉出版的“世界财经与管理教材大系”现已隆重面世！她以“紧扣三个面向，精选五大系列，奉献百部名著，造就亿万英才”的博大胸襟和恢弘气势，囊括经济学、管理学、财务与会计学、市场营销学、商务与法律等财经、管理类主干学科，并根据大学教育、研究生教育、工商管理硕士（MBA）和经理人员培训项目（ETP）等不同层次的需要，相应遴选了具有针对性的教材，可谓体系完整，蔚为大观。所选图书多为哈佛、斯坦福、麻省理工、伦敦商学院、埃维商学院等世界一流名校的顶尖教授、权威学者的经典之作，在西方发达国家备受推崇，被广为采用，经久不衰，大有“洛阳纸贵”之势。

借鉴国际惯例，毕竟只是因势而动；推出国粹精品，才是造势而为。在借鉴与学习的同时，更重要的是弘扬民族精神，创建民族文化。“民族的，才是国际的”。我们提倡学他人之长，但更希望立自己之势。

势缘何物，势乃人为。识人、用人、育人、成人，乃人本之真谛。育人才、成能人，则可造大势。育人、成人之根本在教育，教育之要件在教材，教材之基础在出版。换言之，人本之基础在书本。

凡事均需讲效益，所谓成事，亦即有效。高效可造宏基，无效难以为继，此乃事物发展之规律。基于此，我们崇尚出好书、出人才、出效益！

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To Our Mothers, Lydia and Mary, Who Encouraged Us in Our Education

THE IRWIN SERIES IN FINANCE

Stephen A. Ross
Sterling Professor of Economics and Finance
Yale University
Consulting Editor

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PREFACE

The first edition of *Fundamentals of Investment Management* was published in the early 1980s, and since then many changes have taken place in the financial markets. However, the one constant for this text has been a sincere commitment to present a text that captures the excitement and enthusiasm that we feel for the topic of investment management.

Throughout the book, we attempt to establish the appropriate theoretical base, while at the same time following through with real-world examples. Students ultimately will be able to translate what they have learned in the course to actual participation in the financial markets.

NEW FEATURES AND IMPROVEMENTS TO THE FIFTH EDITION

A number of features have been added to the fifth edition that make using *Fundamentals of Investment Management* an even more exciting and beneficial teaching and learning experience.

The Wall Street Journal Edition

This new option is designed to further integrate *The Wall Street Journal* with *Fundamentals of Investment Management* while still allowing instructors a great deal of flexibility. A special *Wall Street Journal* Edition is available through a unique arrangement with *The Wall Street Journal*. Included in the price of this special edition is a 10-week subscription to *The Wall Street Journal*.

In addition, *The Wall Street Journal* Edition of *Fundamentals of Investment Management* includes a brief introduction explaining how to read and use *The Wall Street Journal* to achieve maximum knowledge and benefits. The introduction guides the reader through *The Wall Street Journal*, explaining how to identify and locate virtually all the important information, tables, and quotes that appear in *The Wall Street Journal*.

Finally, in an effort to make reading *The Wall Street Journal* more interactive for students, *The Wall Street Journal* Projects have been included at the end of every chapter. These projects appear in the standard edition of the text as well, allowing instructors to use them even if students do not subscribe to *The Wall Street Journal* via our special offer. The projects enable the student to use current information from *The Wall Street Journal* in applying material described in the chapter. This includes such exercises as looking up prices of stocks, bonds, commodities; comparing the performance of market indices and then determining which type of stocks have performed best over the past twelve months; and assessing the implications of different asset allocations. Other projects include looking up economic indicators and comparing their movements to changes in the stock and bond market for a given day or time period as well as tracking internal market data such as advances versus declines, volume, and so forth.

Content

Chapter 6 on **industry analysis** has been added. This addition is consistent with the authors' strong emphasis on fundamental analysis. The chapter covers such important topics as industry life cycles, the five competitive forces within industries as developed by Harvard business strategist Michael Porter, the relationship of different industries to the business cycle (rotational investing), and an in-depth comparison of four leading industries.

The emphasis on **international investments** has been expanded. As the framework for portfolio management has become more global, so has *Fundamentals of Investment Management*. The reader will observe that not only is Chapter 18 devoted to "International Securities Markets," but global applications are featured throughout the text. Immediately following the Table of Contents is a List of International Examples covered in various chapters. Emerging markets now receive comparable coverage to that of more developed markets.

Substantial research has challenged the **efficient market hypothesis** in the last decade. Throughout the text, the authors present both sides of the debate. The current edition also includes coverage of the Fama-French study in which the ratio of book value to market value is assigned a large measure of importance by the researchers. Throughout Chapter 10, the reader has the opportunity to study various strategies that appear to provide returns that are superior to those normally associated with traditional risk measures.

The use of **derivatives** has continued to receive increasing attention in the academic and popular press. Options, futures, interest rate swaps, etc. are viewed by some as appropriate tools for portfolio management, while others have categorized them as speculative devices. Firms such as Proctor & Gamble, Bank One Corp., and Gibson Greeting Card Co. have come under substantial criticism for their misuse of derivatives in the mid-1990s. The improper use of derivatives was further dramatized in 1995 by the actions of a trader at the British investment bank, Barings PLC, which caused the collapse of the institution after 233 years of successful operations. The authors have expanded their coverage of derivatives and even included a Critical Thought Case in Chapter 16 on whether derivatives are being properly used by a financial executive.

The topic of **asset allocation** is given greater attention in Chapter 22, which covers risks and returns of portfolio managers. The emphasis is on measuring the effect of allocating investments within the portfolio as compared to simply examining the returns on separate asset categories. *Fundamentals of Investment Management* covers this material in a highly applied fashion in which the reader compares actual returns to benchmark returns. Since it is one of the last topics covered in the book, the material can be used to integrate many previously learned concepts.

The fifth edition also has expanded coverage of **computer databases**. Chapter 4 includes a discussion of on-line services such as America On-Line, Prodigy, Compuserve, and the Dow Jones News Retrieval System. The reader will also find new material on the Internet and how its use can be optimized.

The threat of **inflation** has once again become a reality in the financial markets. The debacle in the bond market in the mid-1990s can be directly traced to fears of rapid price increases. In the fifth edition, the authors have given additional attention to the issue of inflation and its impact on the investment choice between real and financial assets. While

the authors do not know whether inflation has returned to the investment landscape, we do know that it is important that students be prepared to deal with these issues.

From a structural viewpoint, we have moved the chapter on “Time Value of Money and Investment Applications” from the main body of the text to Appendix E. This change was in response to comments from current users that the material was covered previously in financial accounting and financial management courses and should be optional in nature. For those who would like a review of time value of money, the material is retained in Appendix E.

PEDAGOGY

Real World Emphasis

We believe in establishing a very sound base for analysis. For example, in Chapter 7 the student is strongly encouraged to use appropriate valuation techniques to evaluate equities. These include present value techniques under different assumptions of growth rates. Similar approaches are used to evaluate bonds, options, and other forms of investments. At the same time, we consider it essential that real-world material be integrated into the analysis. For example, when valuing equity securities in Chapter 7, the common stock of J. M. Smucker is used rather than a hypothetical firm. Ratio and financial statement analyses in Chapter 8 are focused through the eyes of one reading the Coca-Cola annual report. The discussion of convertible bonds in Chapter 14 is based on securities issued by Telxon. The same principle is followed in virtually every chapter of the book as indicated by the List of Selected Real World Examples immediately following the Table of Contents.

End-of-Chapter Material

In terms of end-of-chapter material, many options are available, thus allowing the instructor to select those end-of-chapter options that best meet his or her objectives.

KEY TERMS AND CONCEPTS At the end of each chapter is a listing of the key terms and concepts with page references. These items are fully defined in the glossary.

DISCUSSION QUESTIONS These questions address the important topics covered in each chapter. They can be used for class discussion or completed individually by students.

PROBLEMS The problems are carefully annotated in the margin to indicate the topic covered. For each chapter, problems are provided for students to apply the concepts learned in that chapter.

CFA QUESTIONS To further reinforce the student's learning process, many of the analytical chapters also have questions and solutions from prior CFA Level I exams. The intent is to illustrate that much of what the students are learning is in line with what professional



financial analysts are expected to know for certification. These questions are denoted by an icon in the margin.



THE WALL STREET JOURNAL PROJECTS As previously described, every chapter in the book has a *Wall Street Journal* Project that serves as an extremely effective learning tool. Current information from *The Wall Street Journal* is used to illustrate major points in the chapter. In addition, this feature illustrates the value of *The Wall Street Journal* for both the student and the business finance community.



CRITICAL THOUGHT CASES These cases are presented at the end of Chapters 2, 3, 8, 10, 11, 16 and 19. Designed to stimulate lively class discussion, the cases cover timely topics such as: insider trading, conflicts of interests in broker-customer relationships, and the use and misuse of derivatives.



U.S. EQUITIES ONFLOPPY EXERCISES For those who desire a computer interactive course, U.S. Equities OnFloppy Exercises are included in Chapters 1–8, 10, 18, 21 and 22. These exercises are identified by an icon in the margin. For more information on U.S. Equities OnFloppy, please turn to the section on student supplements.

SELECTED REFERENCES Organized by topic, this list of references provides an up-to-date overview of relevant books and articles.

SUPPLEMENTS

For Instructors

INSTRUCTOR'S MANUAL The Instructor's Manual includes detailed solutions for all text problems (set in large type for convenience in making transparencies), as well as teaching strategies for all 22 chapters.

TEST BANK The Test Bank has well over 1,000 questions, including true-false, multiple-choice, matching quizzes, and many problems for those chapters that lend themselves to problem material.

TRANSPARENCY MASTERS Averaging over a dozen transparency masters per chapter, this supplement allows instructors to visually present important topics in class. The masters include chapter outlines, brief explanations of key concepts, selected examples, and important tables and figures.

INVESTMENTS TEMPLATES These LOTUS 1-2-3 templates are based on the calculations and formulas found in *Fundamentals of Investment Management*. They are designed to test the sensitivity of the investment relationships found in the chapters of the text. The software will allow students to solve many of the end-of-chapter problems. For example, the templates and exercises include the stock valuation models found in Chapter 7, bond valuation, duration calculations, convertible bond analysis, option pricing models, and portfolio analysis models.

VIDEOS Part of the Irwin Finance Video Series, these video segments highlight and reinforce the topics covered in each chapter. Using the videos helps bring finance to life for students.

For Students

SELF-STUDY SOFTWARE The equivalent of an electronic study guide, this Windows-based software provides students with multiple choice, true/false, matching and fill-in exercises for each chapter of the text. Self-Study Software includes help screens and question hints to aid the student both in using the program and in completing the exercises. Self-Study is sold separately as well as available at a reduced price when packaged with the text.

U.S. EQUITIES ONFLOPPY A Morningstar product, U.S. Equities OnFloppy is a fundamental database and analysis system of approximately 6,000 companies with common stock trading on the NYSE, AMEX, and NASDAQ national market exchanges. The educational version of U.S. Equities OnFloppy can be packaged with *Fundamentals of Investment Management* at a reduced package price. The software can be used to solve selected end-of-chapter exercises, which are indicated by an icon. The U.S. Equities OnFloppy User's Manual, prepared by William Remaley at Susquehanna University, offers over 60 investment and corporate finance projects to provide your students with even more applications. U.S. Equities OnFloppy data is timely, offered each July for fall orders and updated for the spring semester. Please contact your Irwin representative for further details on how to package U.S. Equities OnFloppy with the fifth edition.

FINANCIAL ANALYSIS WITH AN ELECTRONIC CALCULATOR Designed to enable students to master the use of financial calculators and develop a working knowledge of financial mathematics and problem-solving, this supplement by Mark A. White, University of Virginia is helpful for the student who needs to enhance skills learned in the introductory financial management course. Complete instructions are included for solving all major problem types on three common models: Hewlett-Packard HP-10B, Sharp Electronics EL-733-A, and Texas Instruments BA II Plus.

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Geoffrey A. Hirt
Stanley B. Block

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