Portfolio Management

Syllabus

1. Course outline

The course presented examines the theoretical basis and practical approach to the management of stocks and fixed income investment portfolios.

The course objective is to acquaint students with the theoretical foundation of modern portfolio theory, the major groups of investors and their investment objectives and constraints, and to master practical skills in investment management, forming capital market expectations and forecasting markets activity to justify major investment portfolio management strategy for equity and fixed-income instruments.

A distinctive feature of the course is to focus on practical issues of managing the investment portfolio, ground on the results of recent academic research in the field of portfolio management.

It is expected to have practical classes with Thomson-Reuters Eikon information terminal.

As a result of the course, students will know the basic theoretical foundations of portfolio theory, understand the investment process scope and stages, be able to form market expectations and build strategic asset allocation, select the optimal investment strategy.

2. Syllabus

I. The investment process, milestones portfolio management
   - Planning
   - Implementation
   - Monitoring and rebalancing

II. Investment objectives and constraints of the different groups of investors
   - Private investors
   - Pension funds
   - Insurance companies
   - Foundations and endowments
   - Banks

III. Assessment of market expectations
   - The analytical process
   - Limitations of economic data and analysis methods
   - Psychological Traps
   - Basic model group
   - Economic analysis and market forecasts
IV. Strategic asset allocation
- The importance of asset allocation
- Asset and Liability Management (ALM)
- Financial Psychology
- Selection of asset classes
- Optimization

V. Portfolio management, fixed income
- Bond Portfolio Management Strategies
- Active and passive portfolio management
- Sources of income from fixed-income instruments
- Investing in foreign bond markets

VI. Managing a portfolio of stocks
- Active and passive management of a portfolio of stocks
- Equity Indices
- Tools passive investing
- Investment Styles
- Analysis of investment styles based on portfolio and income
- A market-neutral investment

3. Prerequisites

Effective development of the course involves the students' understanding of the foundations of portfolio theory, the characteristics of the financial instruments, the understanding of investment risk, return, diversification effects.

It is assumed that students have already mastered the following courses:
- Corporate Finance
- Analysis of the securities
- Financial Mathematics

4. Forms of control

Control of knowledge and evaluation of students is based on a standard 10-point scale adopted in the HSE. The final assessment of the test consists of three components:
- The total activity in the classroom and in the audience of independent work,
- Intermediate results of a written test,
- Final practical case.

The final assessment of the results of the three components formed with the following weights:
- Current activity of 15%
- Intermediate written test 15%
- The final practical work 70%

Intermediate written test is conducted in the format of multiple choice.
The final practical case is an independent preparation of the investment declaration and strategic asset allocation of the portfolio of a private investor on the basis of historical data obtained in the practical class in Thomson-Reuters with Eikon terminal.

Investment declaration must include:

- Setting investment goals and constrains,
- Estimates of market expectations,
- Portfolio optimization,
- Preparing client presentations.

5. References and readings

12. Charles D. Ellis «The Winner's Game. Making your own plan is often quite rewarding.»
19. Charles D. Ellis «The Winner's Game. Making your own plan is often quite rewarding.»
31. Charles D. Ellis «The Winner's Game. Making your own plan is often quite rewarding.»