

DEREE COLLEGE SYLLABUS FOR:**AF 4629 INVESTMENTS AND PORTFOLIO MANAGEMENT – LEVEL 6**
(Optional)**UK CREDITS: 15**

(Updated Spring 2010)

PREREQUISITES:

AF 2006 Financial Accounting
AF 3005 Principles of Finance
AF 2020 Mathematics of Finance
FN 3113 Corporate Finance
MA 1108 College Algebra
MA 2010 Statistics I

**CATALOG
DESCRIPTION:**

Portfolio theory and asset pricing models; the process of portfolio management; establishing objectives; industry and company analysis; constructing and managing a portfolio; measuring and evaluating portfolio performance.

RATIONALE:

As future financial managers or financial consultants, business students must know how financial markets price capital assets. This knowledge is crucial for all market participants. Individuals and portfolio managers should have the ability to handle efficiently the tools needed to select assets, manage risk and construct optimal portfolios. This course enhances the student's capacity for a career in investments and is recommended to be taken by students majoring in Finance.

LEARNING OUTCOMES:

- As a result of taking this course, the student should be able to:
1. Learn to compute historical and expected returns, as well as risk measures and comprehend the importance of the risk-return relationship.
 2. Define the objectives in constructing and managing a portfolio and learn to create an investment policy statement.
 3. Learn how the financial markets operate, how she can invest in different security types matching her client's portfolio objectives and constraint.
 4. Understand the principles of modern portfolio theory and the effect of diversification on investment portfolios.
 5. Measure and evaluate portfolio performance and understand the

key features of futures and options and how they can be used to manage the risk of the portfolio.

METHOD OF TEACHING AND LEARNING:

In congruence with the teaching and learning strategy of the college, the following tools are used:

- Class lectures, interactive learning (class discussions, group work) and practical problems solved in class.
- Homework assignments: Students produce a weekly market performance report which tracks stock, bond and commodity indices. Students have to comment on recent market trends and learn to assess their effects on the economy in a macro and micro level.
- Project: Throughout the semester students practice on a trading simulation which includes several asset classes. At the end of the semester students present the portfolio they have constructed based on the risk-return profile of a hypothetical client. The students work in groups of 2-3.
- Office hours: students are encouraged to make full use of the office hours of their instructor, where they can ask questions, see their exam paper, and/or go over lecture material.
- Use of Blackboard learning platform, where instructors post lecture notes, assignment instructions, timely announcements, as well as additional resources.

ASSESSMENT:

Summative:

Project	40
Final Examination (2-hour comprehensive)	60

Formative:

Exercises / Coursework	0
Case Studies	0

The formative “Exercises/Coursework” aims to prepare students for the examination by learning to solve numerical problems as well as learn to apply finance concepts with the help of spreadsheet software and web based sources.

Case studies are presented and discussed in class so that students get a real-world aspect of the topics presented during lectures.

The Project tests Learning Outcomes 1 - 5

The Final Examination tests Learning Outcomes 1-5

INDICATIVE

READING:**REQUIRED READING:**

- Jordan/Miller/Dolvin, “Fundamentals of Investments”, McGraw Hill, 2011, 6th edition (international), ISBN: 978-0-07-131564-7

RECOMMENDED READING:**Textbooks**

Bodie, Kane and Marcus, “Essentials of *Investments*”, McGraw Hill, 7th edition (international), ISBN: 0-07-340517-5.

Reilly, Brown, “Investment Analysis and Portfolio Management”, 9th Edition, ISBN-10: 0-324-65612-2

Articles

Journal of Portfolio Management

1. Siegel et al, “Five Principles to Hold Onto (Even When Your Boss Says the Opposite)”, Winter 2009, Vol.35 Issue 2, p25-41.
2. Duchin R. and Levy H., “Markowitz Versus the Talmudic Portfolio Diversification Strategies”, Winter 2009, Vol.35 Issue 2, p71-74.
3. Sharpe, William, “Factor Models, CAPMs, and the APT”, Fall 1984, Vol 11 Issue 1.
4. Statman, M., Scheid, J., “Correlation, Return Gaps, and the Benefits of Diversification”, Spring 2008, Vol. 34 Issue 3, p132-139
5. Bogle, J., “A Question So Important that it Should Be Hard to Think about Anything Else”, Winter 2008, Vol.34 Issue 2, p95-102.

Financial Analysts Journal

1. Ibbotson, Roger, “The Importance of Asset Allocation”, May/Apr 2010, Vol.66 Issue 2, p1-3.
2. Cowen, Tyler, “A Simple Theory of the Financial Crisis, or, Why Fisher Black Still Matters”, May/June 2009, Vol.65 Issue 3, p1-4.
3. Siegel, Laurence, “Black Swan or Black Turkey” The State of Economic Knowledge and the Crash of 2007-2009”, Jul/Aug 2010, Vol.66 Issue 4, p1-4.

Ibbotson Associates, Stocks, Bonds, Bills and Inflation, annual
Financial Times , Wall Street Journal, Fortune Magazine
(Will be selected and shared with students according to the

material covered in class)

**COMMUNICATION
REQUIREMENTS:**

Statistical analysis of stock market data using Excel or other statistical software and submission of a report prepared in Excel and/or Word.

Individual presentation and results and key figures using Word, PowerPoint.

Exams and papers using professional English

**SOFTWARE
REQUIREMENTS:**

Regular access to Internet and Working email address

Excel, Word and PowerPoint

Web tools to monitor market news (RSS feeders – Google Reader) and sharing docs online (e.g. Google Docs, Dropbox)

WWW RESOURCES:

Financial Times: www.ft.com

Bloomberg: www.bloomberg.com

Euroland: www.euroland.com

Economist: www.economist.com

Athens Stock Exchange: www.ase.gr

CNBC: www.cnbc.com

Morningstar: www.morningstar.com

INDICATIVE CONTENT:

1. Investment Basics
2. Asset Classes – Market Indexes
3. Trading Securities - Market Mechanics
4. Mutual Funds - Exchange Traded Funds(ETFs)
5. Risk-Return Basics
6. Asset Allocation Basics
7. Asset Allocation - Investment Policy Statement
8. Intro to Portfolio Management
9. Asset Pricing Models – Single Index Model
10. The Capital Asset Pricing Model (CAPM)
11. Multi-factor Models - Efficient Market Hypothesis
12. Behavioral Finance and Technical Analysis
13. Macroeconomic & Industry Analysis
14. Equity Valuation
15. Financial Statements Analysis
16. Bond Prices and Yields - Introduction
17. Credit Risk, CDOs
18. Option Markets – Introduction
19. Stock Index Futures – Arbitrage, Hedging
20. Portfolio Performance Evaluation
21. Hedge Funds

USEFUL LINKS:

	QR CODE	URL
My Personal Site		http://www.leimonis.com
Student Forum		http://cme.leimonis.com/forum/
Financial Sites Bundle		http://bit.ly/links2check
5-year CDS spreads (Greece, Spain, Portugal, Argentina, Italy, Ireland, Turkey, Germany)		http://bit.ly/CDS5yrs
Dropbox Share		http://bit.ly/droboxshare
Google Reader RSS Major Financial Websites		http://bit.ly/FinRSS