INTRODUCTION

Portfolio management can be broken down to several tractable steps (although there is no global consensus on these steps). 1) Portfolio planning, 2) implementation (capital/asset allocation and security selection), 3) portfolio performance evaluation, and 4) portfolio rebalancing. We will cover all these steps, discussing their interrelationships. In doing so we will discuss alternative approaches to portfolio management and investments (active vs. passive, bottom up vs. top down etc.). For example, we may discuss momentum, contrarian and other active portfolio investment strategies that are based on behavioral portfolio management.

Overall, this course aims to cover the basics of portfolio theory and management. The course will begin by giving a general introduction and covering basic portfolio mathematics. We will also discuss the relationship of risk and returns and mention the use of asset pricing models in this context. We will cover the key aims of portfolio managers, i.e. maximisation of returns and minimisation of risk for a given client.

We will see the modern portfolio theory approach of Markowitz to achieving the above targets, the benefits of index models (I also aim to show you practical examples of this using a practical package, if appropriate facilities are available).

AIMS

To develop participant's knowledge and understanding of key issues in capital/asset allocation, portfolio composition and management;

To provide the opportunity to develop the ability to critically understand portfolio theory and its implications.

METHODOLOGY

Lectures: these set the theoretical foundations of the issues, useful to understand the rationale behind proposed approaches.

Practical examples: these are parts of lectures and show the application of the theories.

Class work (group and/or personal): these are also part of the lectures and they take two forms,
- exercises that call for your critical application of the material covered,
- in-class questions that require your contribution.

Computer lab: practical application with real data of optimisation techniques relevant to portfolio theory both in the classical form and with index models, as well as active management etc.)

IMPORTANT NOTE: Due to my approach to teaching and the level of involvement of students in classes, I give students my complete lecture notes at the end of each class but not before.
EVALUATION

Participants will be evaluated on the basis of:

Participation 30%
Presentation 30%
Final exam/test 40%

In order to get a passing grade on the subject the participant needs to pass the exam.

BIBLIOGRAPHY

- A number of research papers and other works will be sited at the end of each set of lecture notes.