

# **Investment Portfolio Management Syllabus**

## **1. Course outline**

The course presented examines the theoretical basis and practical approach to managing investment portfolios of financial assets.

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 learn how to employ 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.

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. Basic information and infrastructure description**

- The investment process
- Financial market participants and their roles

### **II. Investment objectives and constraints of the different groups of investors**

- Private investors
  - Life cycle theory
  - Main investor types
- Pension funds
- Insurance companies
- Foundations and endowments
- Banks

### **III. IPS construction**

- Description and role of IPS
- Four-stage process
  - Learning
  - Planning
  - Implementation
  - Monitoring

### **IV. Risk, return, classic portfolio composition**

- Various return measures
- Risk measures
- Historical comparison of various asset classes risk-return tradeoff

### **V. Portfolio Management**

- Active vs Passive
- Private wealth management
- Treynor-Black procedure

## VI. Role of economic forecasting

- Limitations of economic data and analysis methods
- Forecasting tools and sources of data
- Basic macro: cycles, yield curve, economic growth
- Economic analysis and market forecasts

## VII. Fixed income portfolio management

- Bond Portfolio Management Strategies
- Aligning risk factors
- Immunization
- Relative-value analysis
- Leverage

## VIII. Equity portfolio management

- Active and passive investment
- Equity styles
- Exit strategies
- Fundamental approach
- Selecting active manager

## IX. Practitioner's advice

- Benjamin Graham's recommendations (based on "The Intelligent Investor")
- Behavioral traps

### 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
- Equity Market
- Bond Market
- Derivatives
- Mathematical statistics

### 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 result of practical tasks
- Intermediate results of written tests
- Final test

The final assessment of the results of the two components formed with the following weights:

- work during the course – 40%
- The final practical work 60%

Intermediate written test is conducted in the format of multiple choice.