

East China Normal University

BUSI 52 - Portfolio Management – Online

Instructor: Ying Wang

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Home University: East China Normal University

Semester: June 27 to July 15, 2022

Course Hour: Monday through Friday, 160 mins per teaching day;

Total Contact Hours: 64 contact hours

Credits: 4

Designated Textbook with ISBN:

1. Managing Investment Portfolios: a dynamics process. John L. Maginn, Donald L. Tuttle, Dennis W. McLeavey, Jerald E. Pinto. Third Edition. John Wiley & Sons, Inc.
ISBN-13: 978-0-470-08014-6
ISBN-10: 0-470-08014-0
2. Bodie, Z., Kane, A. and Marcus, A.J. (2018). Investments, 11th Edition, McGraw-Hill Education
ISBN: 9780077861674

Course Prerequisite:

Foundations of Finance
Statistics

Course Overview

This course covers the main contents in advanced portfolio management theories. You are suggested to have a basic knowledge of Foundations of Finance and Statistics. We will introduce the portfolio management process and investment policy statement firstly, and learn how to manage the individual and the institutional investor portfolios by case studies. Moreover, the asset and equity allocation approaches such as optimization, strategic or tactical allocation, and passive, active or semiactive equity investing methods will be introduced further as well as the alternative investment portfolio management. For the portfolio performance evaluation, we develop various measurement such as benchmarks, performance attribution and appraisal to help practitioner evaluate and identify the performance of different managers. Finally, we will study the provisions in the global investment performance standards which should be follow in industry. There will be one case study & presentation, one mid-term and final exam scheduled in this course. The presentation is scheduled on **Day 4**. The mid-term exam is on **Day 8** & Final exam on **Day 15**.

Learning Outcomes

- Analytical skills and an eye for details
- Ability to understand broader business issues
- Numerical skills
- Communication and presentation skills

Upon completion of this course, students should be able to gain:

- Describe the portfolio process and the investment policy statement
- Apply the approaches to manage individual or institutional investor portfolios
- Adopt the corresponding methods to manage asset and equity portfolios
- Identify, calculate, and interpret the fixed-income portfolio management
- Describe and apply the alternative investment portfolio management
- Identify and evaluate portfolio performance
- Understand the global investment performance standards

Grading Scale and Notes

The following definitions will be used as a guide for the assignment of grades:

Number Grade	Letter Grade	Definitions
94-100	A	Extraordinary distinction, indicating a full mastery of course content and excellent work.
90-93	A-	
87-89	B+	Strong performance demonstrating a high level of attainment, indicating a good comprehension of the course material and the student's full engagement with the course requirements and activities.
84-86	B	
80-83	B-	
77-79	C+	Acceptable performance, demonstrating an adequate and satisfactory comprehension of the course material and the student has met the basic requirements for completing assignments and participating in class activities.
70-76	C	
60-69	D	A marginal performance in the required exercises demonstrating a minimal passing level of attainment.
0-59	F	An unacceptable performance. The F grade indicates that the student's performance has revealed almost no understanding of the course content.

Assessment Policy

Assessment	Final Grade
Case Study/Presentations	30%
Mid-Term Examination	30%
Final Examination	30%
Attendance	10%

Course Schedule

Date	Lecture	Reading/Assignments/ Examination
Day 1	<p>Course Introduction</p> <p>Portfolio Management Process and the Investment Policy Statement (IPS)</p> <p>Approximately 60-90 minutes pre-recorded video lectures</p>	<p>Chapter 1 in Book 1</p> <ul style="list-style-type: none"> - Investment management - The portfolio perspective - Portfolio management as a Process - The portfolio management process logic - Investment objectives and constraints - The dynamic of the process - The future of portfolio management - The ethical responsibilities of portfolio managers <p>Group Project and Case Study (Assignment) Choose an individual investor or institutional investor you are interested in and write the Investment Policy Statement illustrated in Ch 1-3.</p> <p>Presentations are scheduled on Day 4</p>
Day 2	<p>Managing Individual Investor Portfolios</p> <p>Managing Institutional Investor Portfolios</p> <p>Approximately 90-120 minutes pre-recorded video lectures</p>	<p>Chapter 2 & 3 in Book 1</p> <p>Ch 2</p> <ul style="list-style-type: none"> - Introduction - Case study: The Inger Family and Jourdan's Findings and Personal Observations - Investor Characteristics: Situational and Psychological Profiling - Investment Policy Statement - An Introduction to Asset Allocation <p>Ch 3</p> <ul style="list-style-type: none"> - Pension Funds: Defined-Benefit Plans, Defined-Contribution Plans and Hybrid and Other Plans - Foundations and Endowments - The Insurance Industry: Life Insurance Companies, Non-Life Insurance Companies - Banks and Other Institutional Investors
Day 3	<p>Asset Allocation I</p> <p>Approximately 90-120 minutes pre-recorded video lectures</p>	<p>Chapter 5 1-5 in Book 1</p> <ul style="list-style-type: none"> - Introduction - What is Asset Allocation? - The Role of Strategic Asset Allocation in Relation to Systematic Risk - Strategic versus Tactical Asset Allocation - The Empirical Debate on the Importance of Asset Allocation - Asset Allocation and the Investor's Risk and Return Objectives - Asset-Only and Asset/Liability Management

		<ul style="list-style-type: none"> - Approaches to Strategic Asset Allocation -- - Return Objectives and Strategic Asset Allocation - Risk Objectives and Strategic Asset Allocation - Behavioral Influences on Asset Allocation - The Selection of Asset Classes - Criteria for Specifying Asset Classes - The Inclusion of International Assets (Developed and Emerging Markets) - Alternative Investments - The Steps in Asset Allocation
Day 4	Group Project and Case Study	Presentations (Recorded Videos)
Day 5	Asset Allocation II Approximately 90-120 minutes pre-recorded video lectures	Chapter 5 6-10 in Book 1 <ul style="list-style-type: none"> - Optimization <ul style="list-style-type: none"> - The Mean-Variance Approach - The Resampled Efficient Frontier - The Black-Litterman Approach - Monte Carlo Simulation - Asset/Liability Management - Experience-Based Approaches - Implementing the Strategic Asset Allocation <ul style="list-style-type: none"> - Implementation Choices - Currency Risk Management Decisions - Rebalancing to the Strategic Asset Allocation - Strategic Asset Allocation for Individual Investors <ul style="list-style-type: none"> - Human Capital - Other Considerations in Asset Allocation for Individual Investors - Strategic Asset Allocation for Institutional Investors <ul style="list-style-type: none"> - Defined-Benefit Plans - Foundations and Endowments - Insurance Companies - Banks - Tactical Asset Allocation
Day 6	Fixed-Income Portfolio Management I Approximately 90-120 minutes pre-recorded video lectures	Chapter 6 1-4 book 1 <ul style="list-style-type: none"> - Introduction - Framework for Fixed-Income Portfolio Management - Managing Funds Against a Bond Market Index <ul style="list-style-type: none"> - Classification of Strategies - Indexing (Pure and Enhanced) - Active Strategies - Monitoring/Adjusting the Portfolio and Performance Evaluation - Managing Funds Against Liabilities <ul style="list-style-type: none"> - Dedication Strategies - Cash-Flow Matching Strategies



Day 7	<p>Fixed-Income Portfolio Management II Approximately 90-120 minutes pre-recorded video lectures</p>	<p>Chapter 6 5-7 in book 1</p> <ul style="list-style-type: none"> - Other Fixed-Income Strategies <ul style="list-style-type: none"> - Combination Strategies - Leverage - Derivatives-Enabled Strategies - International Bond Investing <ul style="list-style-type: none"> - Active versus Passive Management - Currency Risk - Breakeven Spread Analysis - Emerging Market Debt - Selecting a Fixed-Income Manager <ul style="list-style-type: none"> - Historical Performance as a Predictor of Future Performance - Developing Criteria for the Selection - Comparison with Selection of Equity Managers
Day 8	Mid-term Exam	120 mins
Day 9	<p>Equity Portfolio Management I Approximately 90-120 minutes pre-recorded video lectures</p>	<p>Chapter 7 1-6 in Book 1</p> <ul style="list-style-type: none"> - Introduction - The Role of the Equity Portfolio - Approaches to Equity Investment - Passive Equity Investing <ul style="list-style-type: none"> - Equity Indices - Passive Investment Vehicles - Active Equity Investing <ul style="list-style-type: none"> - Equity Styles - Socially Responsible Investing - Long-Short Investing - Sell Disciplines/Trading - Semiactive Equity Investing
Day 10	<p>Equity Portfolio Management II Approximately 90-120 minutes pre-recorded video lectures</p>	<p>Chapter 7 7-9 in book 1</p> <ul style="list-style-type: none"> - Managing a Portfolio of Managers <ul style="list-style-type: none"> - Core Satellite - Completeness Fund - Other Approaches: Alpha and Beta Separation - Identifying, Selecting, and Contracting with Equity Portfolio Managers <ul style="list-style-type: none"> - Developing a Universe of Suitable Manager Candidates - The Predictive Power of Past Performance - Fee Structures - The Equity Manager Questionnaire - Structuring Equity Research and Security Selection <ul style="list-style-type: none"> - Top-Down versus Bottom-Up Approaches - Buy-Side versus Sell-Side Research - Industry Classification
Day 11	<p>Alternative Investments Portfolio Management I Approximately 90-120 minutes pre-recorded video lectures</p>	<p>Chapter 8 1-5 in Book 1</p> <ul style="list-style-type: none"> - Introduction - Investments: Definitions, Similarities, and Contrasts - Real Estate <ul style="list-style-type: none"> - The Real Estate Market



		<ul style="list-style-type: none"> - Benchmarks and Historical Performance - Real Estate: Investment Characteristics and Roles - Private Equity/Venture Capital <ul style="list-style-type: none"> - The Private Equity Market - Benchmarks and Historical Performance - Private Equity: Investment Characteristics and Roles - Commodity Investments <ul style="list-style-type: none"> - The Commodity Market - Benchmarks and Historical Performance - Commodities: Investment Characteristics and Roles
Day 12	<p>Alternative Investments Portfolio Management II Approximately 90-120 minutes pre-recorded video lectures</p>	<p style="text-align: center;">Chapter 8 6-8 in Book 1</p> <ul style="list-style-type: none"> - Hedge Funds <ul style="list-style-type: none"> - The Hedge Fund Market - Benchmarks and Historical Performance - Hedge Funds: Investment Characteristics and Roles - Performance Evaluation Concerns - Managed Futures <ul style="list-style-type: none"> - The Managed Futures Market - Benchmarks and Historical Performance - Managed Futures: Investment Characteristics and Roles - Distressed Securities <ul style="list-style-type: none"> - The Distressed Securities Market - Benchmarks and Historical Performance - Distressed Securities: Investment Characteristics and Roles
Day 13	<p>Evaluating Portfolio Performance I Approximately 90-120 minutes pre-recorded video lectures</p>	<p style="text-align: center;">Chapter 12 1-5 in Book 1</p> <ul style="list-style-type: none"> - Introduction - The Importance of Performance Evaluation <ul style="list-style-type: none"> - The Fund Sponsor's Perspective - The Investment Manager's Perspective - The Three Components of Performance Evaluation - Performance Measurement <ul style="list-style-type: none"> - Performance Measurement without Intraproduct External Cash Flows - Total Rate of Return - The Time-Weighted Rate of Return - The Money-Weighted Rate of Return - TWR versus MWR - The Linked Internal Rate of Return - Annualized Return - Data Quality Issues - Benchmarks <ul style="list-style-type: none"> - Concept of a Benchmark - Properties of a Valid Benchmark - Types of Benchmarks - Building Custom Security-Based Benchmarks

		<ul style="list-style-type: none"> - Critique of Manager Universes as Benchmarks - Tests of Benchmark Quality - Hedge Funds and Hedge Fund Benchmarks
Day 14	<p>Evaluating Portfolio Performance II Approximately 60-90 minutes pre-recorded video lectures</p> <p style="text-align: center;">Course Review</p>	<ul style="list-style-type: none"> - Chapter 12 6-8 in Book 1 - Performance Appraisal <ul style="list-style-type: none"> - Risk-Adjusted Performance Appraisal Measures - Quality Control Charts - Interpreting the Quality Control Chart - The Practice of Performance Evaluation <ul style="list-style-type: none"> - Noisiness of Performance Data - Manager Continuation Policy - Manager Continuation Policy as a Filter <p style="text-align: center;">Zoom/Tencent Meetings (60 mins)</p>
Day 15	Final Exam	120 mins

Reading List:

Ch 1-3 in textbook1 READ Ch 28 in textbook2

Ch 5 in textbook1 READ Ch 27 in textbook2

Ch 6 in textbook1 READ Ch16 in textbook2

Ch 7 in textbook1 READ Ch 18 in textbook2

Ch 12 in textbook1 READ Ch 24 in textbook2