

PORTFOLIO MANAGEMENT

7. Portfolio Management
8. Alternative Investment Strategies
9. Security Analysis and Portfolio Management
10. Introduction to Capital Markets and IPOs

PORTFOLIO MANAGEMENT

Learning Outcome Statements

- Identify the best bid and offer rates
- Detailed understanding of systematic portfolio management science
- Comprehension of portfolio mathematics and statistics used in Portfolio Management
- Learn techniques of managing Equity & Bond Portfolio
- Comprehend performance tools

Key Contents

Introduction to Portfolio Management

- Goal of Portfolio Management
- Portfolio Managers – 3 Major activities
- Investment Managers
- Fundamental analysis
- Passive vs. active management
- Asset classes
- Relationship between risk and return
- Market efficiency

Basic Statistics & Mathematics in Portfolio Management

Portfolio Construction

- Portfolio Construction Process
- Markowitz Model
- Security & Portfolio Return
- Measuring Risk / Risk in a portfolio context / Diversification / Security Correlation & portfolio risk / Adding Securities to Eliminate Risk / Systematic & Diversifiable Risk
- Risk-Return & Weighting Changes
- Short Selling
- Required Model Inputs
- Asset Allocation

CAPM Assumption & Implications

- Lending & Borrowing/the Capital Market Line
- The Security Market Line / Capital Asset Pricing Model
- Risk-Return Relationship / Undervalued & Overvalued Securities / Empirical Test
- Portfolio Risk & Return / Applied Portfolio Analysis
- Fundament Attributes

- Measuring Beta
- Fundamental Beta
- Forecast Betas

Bond Valuation & Risk Analysis

- Valuation Theory
- Valuation of a Perpetuity / Bond Valuation / Bond Pricing Theorems
- Duration & Interest Rate Sensitivity
- Convexity
- Adjusting for Convexity / Determinants of Convexity / Applying Convexity Analysis
- Reinvestment Rate Risk
- Reinvestment Risk Control / Immunization
- Risk Premium
- Credit Quality Determinants
- Fundamental Sources of Risk
- Interest Rate Risk

Applying Valuation Model Methods

- Stock Valuation Model
- Dividend Capitalization Model
- Stock Value & Differing Model Inputs
- Price/Earnings Ratio & the Discount Rate/Dividend
- Capitalization Model: Simplified Form/Estimating the Discount rate/ cyclical companies/Application of Technique
- Growth Stocks & the Two-stage Growth Model
- Valuing a Growth Stock
- The Market Line Technique
- Market Line Uses / Evaluation of Individual Securities

PORTFOLIO MANAGEMENT

Key Contents

Asset Class Management

- Disciplined Stock Selection
- Active-Passive Strategies
- A Stock Selection Strategy
- Designing the Investment Process Measuring Predictive Ability
- Composite Forecasting
- Generating Return Forecasts and Distribution
- Adjusting for predictive Capability
- Transaction Costs
- Applied Composite Forecasting
- Portfolio Construction & Optimization
- Managing the Process over Time
- Performance of Strategy over Time
- Long/Short Strategies
- Return Patterns
- Long/Short Risk

Equity Investment Styles

- Classification by size
- Combining Strategies
- Growth & Value Stock Groupings
- Sustainable Growth-Dividend Yield Characteristics
- Growth / Value Performance Indexes
- Grouping by Price Action
- Cluster Analysis
- Portfolio Construction / Passive Strategy
- Forecasting Growth Stock Performance Indexes
- Interest Rate Impact / Yield Curve / Relative P/Es
- Optimum Weighting

ALTERNATIVE INVESTMENT STRATEGIES

Learning Outcome Statements

- Inception and growth of the hedge fund industry
- How to measure hedge fund performance
- Identify sources of problems at hedge funds
- Make intelligent, well informed decisions with respect to alternative investments

Key Contents

Introduction to Alternative Investments

- Hedge Funds
- Commodity Trading Advisors and Managed Futures
- Asset Backed Securities – CBOs and CLOs
- Private Equity and Venture Capital
- Insurance Linked Securities

The Hedge Fund Industry

- Inception and History
- Size, Growth and Development
- Performance
- Key Players
- Key factors driving the growth of the hedge fund industry
- Types of Hedge Funds
- Famous Hedge Funds
- Advantages and Disadvantages of investing in Hedge Funds
- Mutual Funds versus Hedge Funds

Hedge Fund Strategies

- Long/Short Equity Market Neutral
- Convertible Arbitrage
- Distressed Debt
- Relative Value Fixed Income
- Global Macro
- Multi-Strategy Funds
- Emerging Markets and High Yield
- Short Sellers

Measuring Hedge Fund Performance

- Sources of monthly NAV Data
- Selection of Benchmark Index
- Selection of Peer Group
- Annual Returns

- Annual Volatility
- Sharpe Ratio
- Sortino Ratio
- Maximum Drawdown
- Down-side Deviation
- Percentage Positive Months
- Consistency of Returns
- Computing the “Alpha” of a Hedge Fund

Fund of Hedge Funds

- Advantages
- Disadvantages
- Cost of Conducting Hedge Fund Research for a Fund of Funds
- Major Fund of Hedge Funds
- Performance of Fund of Hedge Funds

Constructing a Fund of Hedge Funds

Discussion on popular myths surrounding Hedge Funds

Commodity Trading Advisors and Managed Futures Programs

Asset Backed Securities – CBOs and CLOs

- CBOs – Collateralized Bond Obligations
- CLOs – Collateralized Loan Obligations

Private Equity and Venture Capital Insurance Linked Securities

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Learning Outcome Statements

- Gain insight on various analytical techniques used in evaluation of investment opportunities.
- Extend these concepts to the portfolio of securities and the concept of diversification, management of a portfolio.

Key Contents

- Introduction to Equity Markets and Securities, Investment Attributes, Types of Securities, Functions of Stock Market
- Securitisation (Process, Benefits)
- Index Construction and Changes
- Approaches to Valuation of Securities, Valuation Models:
 - Constant Dividend Model,
 - Constant Dividend Growth Model
 - Effect of Dividend Policy on valuation
- Fundamental Analysis
- Cash Flow Valuation Relative Valuation
- Effects of Combining Securities, Portfolio Theory and Markowitz Diversification
- Capital Asset Pricing Model
 - Assumptions
 - Derivation Applications
- Efficient Market Hypothesis
 - Weak, Semi Strong, and Strong
 - Tests for EMH
- Arbitrage Pricing Model
- Design of Optimal Portfolio Sharpe Optimisation Model
- Bonds Valuation and Bond Portfolio Management

INTRODUCTION TO CAPITAL MARKETS AND IPOs

Learning Outcome Statements

- List the four core financial markets and the classes of derivatives
- Understand how bonds, equity, foreign exchange and money market products are traded
- Choose the best derivative to hedge against risk in real-life financial situations
- Understand the role of equity from both the issuer's and investor's perspectives
- Understand the major steps in the IPO process
- Identify the key participants in the IPO process
- Understand the essential issue process – Book building
- Understand the process of underwriting of IPOs

Key Contents

Capital Markets Overview

- Issuers and investors in capital markets
- Key terminology used in the capital markets
- Basic areas and job functions of a securities firm
- Elements of corporate governance
- Typical auditing procedures and controls for securities
- Four Core Markets:
 - Debt
 - Equity
 - Money Markets
- Foreign Exchange

Initial Public Offer (IPO)

- Strategic considerations
- The due diligence process
- Corporate restructuring steps pre-IPO
- Selecting the right exchange for the floatation
- IPO valuation
- Multiple based valuation methodologies
- Accounting scams
- Marketing the IPO
- IPO underwriting
- IPO issues
- Investor strategies in an IPO
- Secondary offerings
- New developments in IPO business