YESHIVA UNIVERSITY
SY SYMS SCHOOL OF BUSINESS

FIN 2521 PROF. J. KRAUSZ
PORTFOLIO MANAGEMENT FALL 2012

COURSE OUTLINE

Course Description:

Portfolio Management is designed to cover the theoretical and practical aspects of portfolio theory. The textbooks selected will give you the basic theory as well as many readings written by practitioners. It is also important to look at the many other texts that are currently available for additional exposition. The field of portfolio analysis has been around for 25 years, but new research is constantly appearing in the finance literature. It is highly recommended that you study journals like the Journal of Finance, the Journal of Portfolio Management, Financial Management and the Journal of Financial Economics to see where the current research is being implemented.

Portfolio theory is strongly based on the areas of applied statistics, econometrics, accounting and operations research as well as managerial finance. We will integrate these concepts in designing portfolio selection and revision concepts. Homeworks will be assigned from your textbook as well as from handouts given in class. These are due at the next class meeting and will not be returned, so please make an extra copy for yourself. All homework problems will be covered in class.

There is one required textbook, the Haugen (H) book. It is a primary text on Modern Portfolio Theory. It covers concisely the basic material. The Investments textbook by Sharpe, Alexander and Bailey(SAB) and the Fundamentals of Investments by Alexander, Sharpe and Bailey (ASB) provide additional resources to refer to when studying for the exams. There is an additional supplemental (not required) reader/text by Maginn and Tuttle (M&T).This text will supply you with a broader practitioner discussion of important portfolio topics, so that you get an idea of the current standing of portfolio applications in the real world. I have noted chapters and readings for those of you who wish additional exposure. These readings are independent readings (meaning, that I will not be able to cover in lecture, every topic mentioned in these readings), however, I will discuss some of them. Lecture presentations assume full preparation of the assigned readings and previously lectured materials. A list of additional references will be supplied.

Required Textbook:

1)Haugen, R. A., Modern Investment Theory, 5th Edition, Prentice Hall, 2001. ISBN: 0-13-019170-1

Additional Suggested Text/Readings:

2)Maginn, J. L. and D.L. Tuttle, Managing Investments Portfolios, Warren, Gorham and Lamont, 1990

3a)Sharpe, W.J., G.J. Alexander, and J.F. Bailey, Investments 6th Ed., Prentice-Hall, 1998.

3b)Alexander, G.J., Sharpe, W.J,, and J.F. Bailey, Fundamentals of Investments 3rd Ed., Prentice-Hall, 2001

4)Any Basic Statistics Text.

Computer: You will be assigned a practical application research PC project making use of Portfolio Theory to design and test portfolio selection and allocation procedures. In addition, your text has computer problems and a computer disk.

Exams: There will be a midterm (no make-ups) and a final.

Evaluations: Your grade will be based on:

Midterm	40%
Final	50%
Other Assignments	10%

Office Hours:
Office Room Number: YU: Belfer 422; Stern-215 Lex. Ave.: 336
Phone Number: YU : 212-960-0812; Stern: 917-326-4830
Hours: YU: Mon. and Wed. 2:00 to 3:00p.m.; Stern: Tue. and Thur. 11:00 to 12:00 a.m., and by appointment.

Calculator: You will need a calculator. Any scientific or business calculator will do. It does not pay to spend money on a programming calculator as you will have access to a pc with preprogrammed templates and statistical packages.

READINGS AND PROBLEMS

TEXTBOOK CHAPTERS AND TOPICS in Haugen(H), Maginn & Tuttle(M&T),and Sharpe, Alexander(S)and Bailey(SAB) and Alexandar, Sharpe and Bailey (ASB).

Note: In HAUGEN, you will you will find question sections and problem sections. Many of these have solutions in the following section. THE PROBLEMS ASSIGNED BELOW ARE FROM THE SECTION LABELED "QUESTION SET 1".

1.Portfolio Management -	H-1,2
Introduction	M&T-1
Theory of Choice	ASB-7, SAB-6
Normative Economics	
Investment Opportunity, Objectives and Decisions	
Utility Maximization	
2.Decisions Under Uncertainty-	M&T-2,3,4
Rational Expectations	ASB-7, SAB-6
Probability	H-3/(P. 50)-
Expectation	1,2,7 to 15
Means, Variances	
Risk and Return	
Market Indices	
Efficient Markets	
3.Statistical Background continued-	Any Stat Text
Measures of Joint Probability	M&T-6
Correlation	ASB-8, SAB-7
Regression	
The Insurance Principle	
4.Markowitz Full Variance/Covariance	H-4/(P. 72)-
Portfolio Risk and Return	2,3,5,6,7,9,11
Optimization	SAB-8,9, ASB-9,10
The Efficient Frontier	M&T-7,9
Risk Reduction	
Correlation and its Effect	
Riskfree Borrowing and Lending	H-5/ Computer (p.131) /1,2
5.Markowitz Analysis continued-	M&T-13
Tracing the Efficient Frontier	SAB-10, ASB-11
Minimum Variance Point	
Portfolio Choice With and Without Riskfree Borrowing and Lending	
Risk Decomposition	
Separation Theorem	
6.Sharpe Single Index Model-	H-6/(P. 164)-
Implementation of Portfolio Techniques	1,2,3,5 to 8,
Properties and Characteristics	10 to 15,19,20

Estimating Beta	H-6(P. 172)Computer
Multi Index Models	-1,2
Active & Passive Management	
7. The Elton/Gruber Technique-	H-9
Determining Optimal Portfolio Selection	M&T-12
Calculation of Weights in Portfolio Composition	
Asset Allocation	
Homogeneous Stock Groupings in Asset Allocation	
8. Capital Market Theory-	H-8/(P.228)-
Assumptions and Development of	3,4 to 7,13
The CAPM-Capital Asset Pricing Model	ASB-10,11,12, SAB-9,10,11
The SML-Security Market Line	M&T-5
The CML-Capital Market Line	H-10
APT-Arbitrage Pricing Theorem	H-7
Asset Allocation, Market Timing and Market Expectations	
9. Evaluation of Portfolio Performance-	H-11/(P. 290)-
Approaches to Portfolio Management	2,3,4,5 to 12
Performance Measures-	ASB-18, SAB-24
The Sharpe Measure	M&T-14
The Ranking Approach	
The Treynor Measure	
The Jenson Measure	
Mutual Fund Performance	
10. Optional Special Topics-	M&T-8, 10, 11
Options	H-17,18,19
Commodities and Futures	H-20, ASB-24-25
International Investing	SAB-19,20
Bonds	H-14,15,16
Interest Rate and Index Hedging and Immunization	ASB-19 to 22 SAB-13,14,15