



Portfolio Investment Management

MFI-3-304

Business, Computing and Information
Management

2006 - 2007

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1. UNIT DETAILS

Unit Title:	Portfolio Investment Management
Unit Level:	3
Unit Reference Number:	MFI-3-304
Credit Value:	1
Student Study Hours:	150
Contact Hours:	36
Private Study Hours:	114
Pre-requisite Learning (If applicable):	Statistics
Co-requisite Units (If applicable):	
Course(s):	
Year and Semester	2006-7 Semester 2
Unit Coordinator:	Dr Howard Griffiths
UC Contact Details (Tel, Email, Room)	020-7815-7873, griffihr@lsbu.ac.uk , LR 393
Teaching Team & Contact Details (If applicable):	
Subject Area:	Finance
Summary of Assessment Method:	Course Work & Exam

2. SHORT DESCRIPTION

This unit will provide students with an introduction to the theory and methods of portfolio management and the analysis of financial assets. It builds on level two units in finance and quantitative methods by deepening students' knowledge and understanding of the theory and application of modern financial theory.

3. AIMS OF THE UNIT

The unit aims to introduce students to the basic elements of financial analysis and investment management. It will build on the foundations laid down in level two and provide students with the necessary tools and skills for the selection and management of investment portfolios.

4. LEARNING OUTCOMES

4.1 Knowledge and Understanding

On completion of this unit, students should be able to:

Analyse, and find solutions to the problems involved in the management of investment assets in an efficient market.

Recognise and discuss the practical implications of the Efficient Market Hypothesis (EMH) and Modern Portfolio Theory (MPT)

Critically evaluate the strengths and weaknesses of the various techniques used for the composition and maintenance of portfolios of investment assets.

4.2 Intellectual Skills

Throughout this Unit, students will be encouraged to develop their analytical and critical capabilities by applying them to a series of mini-cases used in the seminars.

4.3 Practical Skills

Information Technology Skills:- Students will be expected to make full use of software packages such as Excel and Word in the production of their assignments. In addition, students will need to access the information facilities in the Learning Resources Centre in order to complete their assignment.

Numeracy Skills:- Students will be expected to use and expand the techniques acquired in the 2nd year Quantitative Methods Course

4.4 Transferable Skills

Communication Skills:- Students will be expected to develop communication skills through the written elements of the assignment and participation in seminars.

5. ASSESSMENT OF THE UNIT

The assessment methods for the unit will be geared towards the development of hard as well as soft skills through the following:

A three hour formal (closed-book) written examination at the end of the course which will contribute **75%** of the overall mark.

Student performance in an assessed coursework assignment which will contribute **25%** of the overall mark.

The overall pass mark for the unit is 40% and students must achieve at least 30% in each component.

Course Work: This piece of work will be given out within the first weeks of the Unit. Late submissions will attract penalties unless the Unit Leader agrees mitigating circumstances. The Course work will attempt to assess the topics in the first two thirds of the course. Time constraints do not allow any other option. It must be stressed that this is not a piece of group work. Collaboration (between students) and Plagiarism (copying from other students and unattributed quotes from published authors) will not be permitted under any circumstances.

Exam: The unit will be examined by a three hour unseen paper. There will be a mixture of at least five numerate, literate and combined questions. Students will have to complete three of which one will be compulsory. The compulsory question will carry 40 marks and the other two will carry 30 marks each.

6. FEEDBACK

Feedback will normally be given to students 15 working days after the submission of an assignment.

7. INTRODUCTION TO STUDYING THE UNIT

7.1 Overview of the Main Content

This unit attempts to utilise skills acquired in courses taken in earlier semesters as well as deepening and utilising existing knowledge in the processes of portfolio management. Hence, regression techniques will be extensively used throughout the course. Where necessary some seminar time will be used to refurbish students knowledge of such statistical skills. The course will help students to analyse the profit potential of individual assets and estimate the implications of including them in portfolios.

7.2 Overview of Types of Classes

The unit combines the use of lectures, seminars, workshops and students' personal studies. Lectures provide the framework for the areas of study while seminars are used to clarify, discuss and extend the various topic areas

7.3 Importance of Student Self-Managed Learning Time

Student responsibility in the learning and development process will be emphasised. They will be required to undertake directed self study and prepare solutions to questions relative to various topic areas. Students will be encouraged to identify for themselves particular problems of difficulty and to use seminar discussions for their resolution.

7.4 Employability

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8. THE PROGRAMME OF TEACHING, LEARNING AND ASSESSMENT

Week 1	Introduction: Markets <i>Elton & Gruber (E&G) Chapters 1 – 3,</i> <i>Malkiel (BM) Chapters 1 – 4,</i> <i>Griffiths (HG) Chapter 1.</i>
Week 2	Securities Markets I:- Efficient Markets Hypothesis – Theory <i>E&G Ch. 17, HG Ch. 1,</i> <i>Reilly & Brown (R&B) Ch. 7.</i>
Week 3	An Introduction to the Theory and Application of Regression Analysis <i>Gujarati, Chs 2 – 7.</i>
Week 4	Securities Markets II:- EMH – Evidence & Implications for Portfolio Management
Week 5	Capital Asset Pricing Model (CAPM) I:- Theory <i>E&G Chs. 14 & 15,</i> <i>HG Chs. 5 & 6,</i> <i>R&G Chs. 8 & 9.</i>
Week 6	CAPM II:- Evidence <i>E&G Chs. 14 & 15,</i> <i>HG Ch. 6.</i> <i>R&G Chs. 8 & 9.</i> <i>F. Modigliani & G. Pogue, An Introduction to Risk and Return”, Financial Analysts Journal,</i> <i>March/April & May/June 1974</i>
Week 7	CAPM III:- Portfolio Management & Multi Index Models <i>E&G Ch. 18,</i> <i>HG Ch. 6,</i> <i>R&B Chs. 22, 26 & 27</i>
Week 8	Equity Valuation I: DCF & Non DCF Methods <i>E&G Ch. 18,</i> <i>HG Ch. 8</i>
Week 9	Equity Valuation II: Earnings Estimation <i>E&G Chs 19 & 25</i>
Week 10	Equity Valuation II: Earnings Estimation <i>E&G Chs 19 & 25</i>
Week 11	Revision #1
Week 12	Revision #2

9. LEARNING RESOURCES

9.1 Core Materials

Elton E. & Gruber M. "Modern Portfolio Theory", 6th ed., Wiley 2002

Reilly F. & Brown K., "Investment Analysis and Portfolio Management", 6th ed., The Dryden Press 2000

9.2 Optional Materials

Malkiel B., "A Random Walk down Wall Street", 5th ed., Norton 1991

Lofthouse S., "Readings in Investments", Wiley 1994

Shiller R., "Market Volatility", MIT Press 1991

Hogarth R. & Reder M. (eds.), "Rational Choice", Chicago University Press 1996.

Maddala G., "Introduction to Econometrics", 3rd ed. Prentice Hall 2001

Gujarati D., "Basic Econometrics", 3rd ed. McGraw Hill 1995

Contemporary Reading:

Students are expected to familiarise themselves with finance by reading some of the following publications,

The Financial Times (available for only 20p at the Students' Union Shop). It is not expected that students should read the FT every day. However, once a week would be advisable.

The Broadsheets (The Times, Sunday Times, Telegraph, Sunday Telegraph, Independent, Independent on Sunday, Guardian, and the Observer). If students find the FT too heavy, they should read the financial pages of the broadsheet papers mentioned above.

The Economist. Available in the library.

The Investors Chronicle

The Wall Street Journal

Private Eye

Useful Web Sites:

www.ft.com;

www.liffe.com;

www.economist.com;

www.ssrn.com