

FSC202 Portfolio Management [4 Credits]

Learning Objective: The course aims at developing an intellectual frame work for management of portfolios using advanced techniques and theories of science of investment.

UNIT 1: Portfolio Management (12 Hours)

PORTFOLIO ANALYSIS: Meaning of Portfolio – Process of Portfolio Management – Objectives of Portfolio – Types of Portfolio Theories - Traditional and Modern Portfolio Theories – **PORTFOLIO SELECTION:** Meaning – Feasible Set of Portfolio's – Efficient Frontier – Optimal Portfolios – Corner Portfolios - Return on Portfolio – Risk on Portfolio – Diversification of Portfolio - Efficient Frontier – Minimum Variance Analysis (*including Problems*) – Case Studies in Portfolio Selection.

UNIT 2: Portfolio Selection Models (12 Hours)

Portfolio – Diversification through Correlation Co-efficiency of Security Returns – Limitations Of Markowitz Model – **Sharpe Single Index Model** – Measuring Security Returns and Risk – Measuring Portfolio Return and Risk – Multi Index Model -Portfolio Analysis – Portfolio Selection under Single Index Model (*including Problems*) – Case Studies

UNIT 3: Capital Asset Pricing Model (12 Hours)

Assumptions – Capital Asset Pricing Model (CAPM) – Riskless Lending and Borrowing Portfolios – Capital Market Line (CML) – Security Market Line (SML) – Pricing of Securities with CAPM – Limitations Of CAPM (*including Problems*) - **Arbitrage Pricing Theory (APT):** - The Law Of One Price – Assumptions – Arbitrage Pricing for One Risk Factor – Two Factor Arbitrage Pricing – Multiple Arbitrage Pricing – Limitations of APT (*including Problems*) – Case Studies

UNIT 4: Bond Portfolio Management (12 Hours)

Bonds – Types of Returns - Types of Bonds – Valuation of Bonds – Types of Returns on Bonds – Bond Duration and Convexity – Immunization of Bonds – Bond Portfolio Strategies – Active and Passive Strategies – Term Structure Theories (*Including Problems*)

UNIT 5: Portfolio Performance Evaluation & Revision (12 Hours)

Portfolio Performance Evaluation – Need – Meaning – Evaluation Process - Risk Adjusted Returns – Performance Evaluation Ratios – Sharpe's Ratio – Treynor's Ratio – Jensen Ratio – **Portfolio Revisions: Portfolio Revision** – Need for Revision – Meaning – Constraints – Portfolio Revision strategies – Formula Plans – Constant Rupee Value Plan – Constant Ratio Plan – Dollar Cost Averaging – Case Studies

Suggested Readings:

1. Security Analysis and Portfolio Management. 6th e Fischer, Donald E /Jordan, Ronald J. Prentice- Hall, India
2. Fundamentals of Investment Hirt, Geoffrey A / Block, Stanley. Irwin/McGraw-Hill
3. Portfolio Management: Theory & Applications, 2nd e Farrell, James L. zIrwin/McGraw-Hill
4. Stock Exchange and Investments Raghunathan, V. Tata McGraw-Hill
5. Essentials of Investments, 3rd e Bodie, Zvi et al. Irwin/McGraw-Hill
6. Frank K.Reilly and Keith C.Brown, Investment Analysis Portfolio Management, 7/e Thomson Publications, 2006.
7. William F. Sharpe, Gordon J.Alexander and Jeffery V.Bailey, Investments, 6th edition, Prentice Hall, 2006. 46
8. ZVI Bodie, Alex Kane, Alan J Marcus and Pitabas Mohanty, Investments, 6th edition, Tata Mc graw Hill, 2006.
9. Donald E. Fischer and Ronald J.Jordan, Security Analysis and Portfolio Management, 6/e, Pearson Education, 2007.
10. Prasanna Chandra, Investment Analysis and Portfolio Management, 3/e Tata McGraw-Hill Publishing Co. Ltd. New Delhi, 2006.
11. Charles P. Jones, Investments Analysis and Management, ninth Edition, John Wiley & Sons, 2006
12. S.Kevin, Security Analysis & Portfolio Management, Prentice Hall, 2006.
13. M.Ranganatham and R.Madhumathi, Investment Analysis and Portfolio