

**AG217 PORTFOLIO MANAGEMENT AND SECURITY ANALYSIS
2023/24 SEMESTER 2**

NAME OF LECTURERS:

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Office Hours: Wed 2-4

CLASS DESCRIPTION

The class covers the general principles of managing investment portfolios. This class builds on the material covered in the Introduction to Finance and Accounting class.

CLASS AIMS

The class aims to provide an understanding of the principles and theories relevant to the process of building investment portfolios. The class covers practical applications as well as theoretical material. The class considers mean-variance portfolio theory, linear asset pricing models such as the capital asset pricing model (CAPM) and arbitrage pricing theory (APT), market efficiency, valuation of bonds, bond portfolio management, and fund performance,

PREREQUISITES

AG151 (Introduction to Finance and Accounting) or AG105 (Introduction to Finance and Financial Statistics).

LEARNING OUTCOMES

The following learning outcomes will contribute to your self-analysis and reflection in your Student's Personal Development Planning (SPDP). These learning outcomes will be assessed using the methods explained in the "Assessment" section in this Outline.

Subject-specific knowledge and skills

On completing this class you will be able to:

Subject specific knowledge and skills

- A.1 Calculate the expected return and risk of a portfolio.
- A.2 Discuss the approach of building optimal portfolios using the Markowitz model.
- A.3 Evaluate the estimation risk problem in sample mean-variance portfolios.

Please contact Jillian D'Agostino in the Department of Accounting and Finance if alternative formats of teaching materials are required or if you need any other assistance. 1

- A.4 Discuss the approach of resampled portfolio efficiency™.
- A.5 Explain the Capital Asset Pricing Model and Arbitrage Pricing Theory asset pricing models.
- A.6 Discuss the Efficient Markets Hypothesis and its' practical implications for investors.
- A.7 Discuss the alternative approaches of evaluating fund performance.
- A.8 Discuss the main factors that affect the valuation of bonds.
- A.9 Critically evaluate the main approaches used in bond portfolio management.

Cognitive abilities and non-subject specific skills

- B.1 Develop problem solving skills in the area of Investments and the issues faced by portfolio managers.
- B.2 Develop computational skills through the use of Matlab in the areas covered by the class and applicable in other areas of Finance.
- B.3 Develop analytical skills in evaluating the limitations of using Finance models in practical implications.
- B.4 Develop skills in writing short projects with regards to structure and content.

ASSESSMENT

The modes of assessment are:

Coursework	40%
Final examination	60%
Total	100%

Fuller details of the coursework and final exam will be provided in the class. The coursework will be an online submission and is due Thurs of week 8.

It is a requirement for course completion to submit all parts of the class assessment. Non-submission of any part will result in an overall mark of zero being awarded for the class.

There will be a one hour session for attempting a past essay exam question under exam conditions.

There will be a review session looking at past exam questions and possible structures of answers.

The format of the exam will 2 essays out of a selection of 5 questions.

PENALTIES FOR LATE SUBMISSION

The Business School follows the University's policy for the late submission of assessed work:

[POLICY and procedure for LATE SUBMISSION OF COURSEWORK \(strath.ac.uk\)](http://strath.ac.uk)

FEEDBACK

Please contact Jillian D'Agostino in the Department of Accounting and Finance if alternative formats of teaching materials are required or if you need any other assistance. 2

The standard turnaround time for all feedback and marking within SBS is 15 working days from assessment submission.

The University policy on Assessment and Feedback is available here:

[Assessment and Feedback Policy \(strath.ac.uk\)](http://strath.ac.uk)

COMPENSATION SCHEME

[POLICY ON Compensation Scheme \(strath.ac.uk\)](http://strath.ac.uk)

The Faculty Compensation scheme is as follows:

- Where a student has a weighted average of at least 45% (pass) across all classes, and class(es) for which the mark is 30-39% (fail), the failed class(es) will be deemed to have been passed by compensation.
- Where a first year class is passed by compensation, the student will not be permitted to proceed with that subject in second year, unless mitigating circumstances acceptable to the Board are met, and are submitted in advance of the meeting of the Board.
- Where a first, second or third year class is passed by compensation, the student will not normally be permitted to proceed to Honours in that subject, this is at the discretion of the department. The student does have the right to reject this pass and resit the class.

Reassessment

If you do not pass the course on your first attempt, or cannot take the exam for medical or personal reasons, you will have to take a re-sit examination.

TEACHING AND LEARNING

The teaching and learning strategy adopted in the class to meet the learning outcomes employs a variety of approaches. Students will learn through directed reading, independent reading, formal class contact in lectures, and workshops/computer lab sessions. The lectures will be used to provide an introduction and overview of the main topics covered in the class. Computer lab sessions/workshops will be used for developing skills in using Matlab and for conducting empirical tests in the research areas covered in the class.

Attendance at labs is mandatory and will be monitored.

Lectures will be held twice (2-hours) every week for eleven weeks. There will be 9 weeks of computer lab sessions during the semester (weeks 2 to 7) and (weeks 9 to 11). Details of venues and times are posted on MyPlace. Students with special needs should contact Jillian D'Agostino (j.d-agostino@strath.ac.uk). If you need any of the class materials in a different

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of teaching materials are required or if you need any other assistance.

format due to special needs, you should get in touch with Jillian.

READING

Any good Investments book is fine.
A fuller reading list will be provided in class.

LECTURE PROGRAMME

Week 1 – Types of financial securities, managed funds, use of benchmarks and market indexes, introduction to statistics and regression analysis.

Week 2 – Calculating expected return and risk of a 2-asset and N-asset portfolio, naïve portfolio diversification, mean-variance analysis with N risky assets.

Week 3 – Mean-variance analysis with N risky assets and risk-free asset, Applications, and criticisms of mean-variance analysis.

Week 4 - CAPM, theory of CAPM, predictions of the model, testing the CAPM.

Week 5 – Estimation risk problem, Constrained Mean-Variance Optimization, Resampled Portfolio Efficiency

Week 6 – Arbitrage Pricing Theory (APT) and Multifactor Models

Week 7 – APT, Market efficiency,

Week 8 – Market Efficiency and Empirical Tests

Week 9 – Evaluating Managed Fund Performance

Week 10 – Bond Valuation and Bond Portfolio Management

Week 11 – Revision

UNIVERSAL MARKING GUIDE (ASSESSMENT DESCRIPTOR)

%	Descriptor
80 – 100	<u>Outstanding demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • wide, appropriate knowledge and understanding (and where appropriate effective project work) including insight and originality • evidence of reading and thought beyond course/assignment materials • appropriate use of references and exemplars • an outstanding standard of writing and communication and/or presentation
70 – 79	<u>Excellent demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • wide, appropriate knowledge and understanding (and where appropriate effective project work) including insight or originality • evidence of reading and thought beyond course/assignment materials • appropriate use of references and exemplars • an excellent standard of writing and communication and/or presentation
60 – 69	<u>Comprehensive demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • wide appropriate knowledge and understanding (and where appropriate effective project work) with only occasional lapses in detail • evidence of reading and thought beyond course/assignment materials • a high standard of writing and communication
50 – 59	<u>Satisfactory demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • sound knowledge and understanding of essential material (and where appropriate essential project skills) • general accuracy with occasional mistakes and/or uncoordinated use of information
40 – 49	<u>Adequate demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • basic knowledge and understanding (and where appropriate basic project skills) • omissions and/or weaknesses of presentation and/or logic and/or evidence
30 – 39	<u>Limited demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • some relevant information and limited understanding (and where appropriate some project work completed under supervision) • omissions and/or weaknesses of presentation and/or logic and/or evidence • lack of familiarity with the subject of assessment and/or assessment vehicle
20 – 29	<u>Inadequate demonstration of learning outcomes:</u> <ul style="list-style-type: none"> • a few key words, phrases or key ideas • extensive omissions and/or weaknesses of presentation and/or logic and/or evidence • serious errors • inadequate evidence of learning or inadequate project work
1 – 19	<u>Weak performance in learning outcomes</u> <ul style="list-style-type: none"> • serious errors • extensive omissions and/or weaknesses of presentation and/or logic and/or evidence • deficient evidence of learning or deficient evidence of project work
0	No relevant work submitted for assessment