

**AG217 PORTFOLIO MANAGEMENT AND SECURITY ANALYSIS  
2021/22 SEMESTER 2**

**NAME OF LECTURERS:**

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**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.

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- 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:

<b>Coursework</b>	<b>40%</b>
<b>Final examination</b>	<b>60%</b>
<b>Total</b>	<b>100%</b>

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.**

### **PENALTIES FOR LATE SUBMISSION**

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

[https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy\\_on\\_Late\\_Submission\\_of\\_Coursework\\_Final\\_Oct\\_2018.pdf](https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy_on_Late_Submission_of_Coursework_Final_Oct_2018.pdf)

### **FEEDBACK**

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:

[http://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/assessment\\_and\\_feedback\\_policy\\_-\\_Effective\\_Sep\\_14.pdf](http://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/assessment_and_feedback_policy_-_Effective_Sep_14.pdf)

## **COMPENSATION SCHEME**

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 10 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 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**

The following topics will be covered:

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1. Calculating expected returns and risk for portfolios.
2. Diversification and risk reduction
3. Mean-variance analysis
4. Estimation risk problem and resampled portfolio efficiency
5. Capital asset pricing model
6. Multifactor models
7. Market efficiency
8. Evaluating fund performance
9. Bond valuation
10. Bond portfolio management

**UNIVERSAL MARKING GUIDE (ASSESSMENT DESCRIPTOR)**

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