

Sigmund Weis School of Business, Susquehanna University
MGMT 442: Portfolio Management
Spring 2017

Professor: Assoc. Prof. Sirapat Polwitoon, Ph.D.

Class Time: 10:00 – 11:35 at Apfelbaum 132

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Office Hours: TTh 9 – 10 noon and 4 – 5 pm., (every other) Wed 2 – 4, and by appointment

The Sigmund Weis School of Business Mission

Our mission is to prepare students for successful careers in business and for lives of continual learning, achievement, leadership and service. Our program provides life-changing theoretical, applied and experiential learning opportunities for all students and places particular emphasis on ethics and integrity, global business practice and information technology.

To further our mission, the Sigmund Weis School faculty is committed to challenging and mentoring all students, engaging in scholarly activities and service to their communities and professions, and advancing a professional education within the liberal arts.

To support this mission, the SWSB has adopted the following learning goals:

SWSB graduates will be:

- Effective in their oral communications,
- Effective in their written communications,
- Adept in their interpersonal skills and teamwork,
- Adept in technological applications for business,
- Competent in the core business foundations.

Prerequisite: MG: 342 Investments and working knowledge of Excel

I assume that every student passed Investments with good understanding of the following topics; some algebra and linear regression, security types and characteristics, return and risk calculation for individual securities and portfolios, risk and return tradeoff and efficient diversification. In addition, I assume that students are familiar with Excel functions to perform the Markowitz's mean-variance analysis etc.

Class Objectives:

The goal of this course is to introduce students to the works of a portfolio manager. This course provides a mix between theories and applications of portfolio management. Throughout this class, students will learn theories and techniques of portfolio management and. Since the class is part of a "CFA track", students are required to study and being tested on [CFA's Code of Ethics and Standards of Professional Conduct](#) from the CFA Level 1 Exam Study Session. The course contents are divided into three sections.

Section I Investors and Investment process: Review of EMH and its implications on investment policy, introduction to basic framework of investment process including specifying investment objectives, identifying constraints, formulating investment policy, and ethical consideration in portfolio management.

Section II Asset Allocation and Modern Portfolio Theory (MPT): We will reviews some statistical technique used in asset allocation and the MPT and will apply the Markowitz's technique to form optimal portfolio from a universe of asset classes using historical risk and return data. More advanced portfolio formation technique such as the Black-Letterman portfolio formation will be presented as a supplementary.

Section III Performance Evaluation and Portfolio Enhancement: Discussion of the Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory (APT). CAPM and APT provide framework for performance

evaluation. Examine evaluation procedures. Determine the risk-adjusted performance of a portfolio; compare the performance with that of an appropriate benchmark. Discuss and be familiar with the process of selecting investment managers.

Bloomberg’s Portfolio & Risk Analytics is a very useful tool for portfolio management professional. Students are required to acquire a personal Bloomberg account, study and pass all BMC exams to be ready to utilize the functions in Portfolio & Risk Analytics.

By the end of the semester, students will be able to: a) state and explain the ethical responsibility required by the CFA Institute Code of Ethics and Standards of Professional Conduct; b) independently set a statement of investment policy, construct optimal portfolios; c) recommend appropriate asset allocation; d) evaluate portfolio performance and select investment managers.

This course is intended for senior graduating students who have a strong interest in becoming sophisticated investors or working in the investment fields. To avoid superficiality, it is geared toward a quantitative approach to portfolio management, and requires a fair amount of work. It might be challenging to students who are not truly interested in the topics. I encourage you to question yourself about your motivations and interests before continuing on with the course.

Required Materials:

1. Evansky H., et al., *The New Wealth Management*, CFA Institute, Wiley
2. Class Notes for Portfolio Management available to download on Blackboard
3. Individual Bloomberg account

Grade Scale:

Grade will be assigned based on your merits in the course. I cannot factor into any grading your: graduation status, assistantship status, job situation, and family situation. I will make every effort to work with you to mitigate any difficulties, but in the end, you must perform the work at the prescribed level to obtain a desired grade. Your overall grade will be broken down as follows:

Quizzes and CFA Ethical Test	40%
Projects and presentations:	40%
Bloomberg BMC Exams and Portfolio & Risk Analytics:	15%
Class Participations:	5%
<u>Total</u>	<u>100%</u>

The following grade scale will be used: (I will not curve).	100 - 94	A	79 - 78	C+
	93 - 90	A-	77 - 74	C
	89 - 88	B+	73 - 70	C-
	87 - 84	B		and etc.
	83 - 80	B-		

Your Responsibilities and Grades:

1. *Quiz and CFA Ethical Test (40 percent):* There will be several in class quizzes for this course, some of them will be unannounced quizzes. The quiz will be a combination of multiple-choices, problems and/or short essays and problems on Excel. There is a test on CFA Ethical Standard, specifically the test will be from [Reading 1 and 2](#) of the Standards. Quiz Policy: Since there are a few extra credit quizzes, there will be NO ‘late’ makeup quiz unless you have reasonable excuses beyond your control AND provide sufficient documents such as medical proof and/or a copy of police report. In these circumstances, you should contact me as soon as possible.
2. *Group Projects (40 percent):* Group project is an integral part of your grade. You will have an opportunity to apply the three main topics you learned on the project. The project covers identifying policy, constructing, evaluating and enhancing a portfolio. It involves applying quantitative approach

of Modern Portfolio Theory thus require quite extensive use of Excel and certain database. You'll need also present and defend your project. Details for the projects will be explained in class and available to download from class Blackboard.

3. ***Bloomberg Market Concepts (BMC) Exam and Assignments (15%)*** To ensure that each student has sufficient usage on the Bloomberg Terminal and to reinforce the concepts of capital market and financial assets, students are required to obtain the BMC "certificate" on four asset classes: Detail will be distributed in class. Bloomberg assignments on Portfolio & Risk Analytics will be given throughout the semester to ensure student proficiency with the terminal.
4. *Attendance and Participation (5 percent)*: The business world has little tolerance for absenteeism, tardiness, whining, inadequate preparation and requests for special treatments. I hold the same view. Thus, attendance, punctuality and regular participation in the class discussion/activities is essential to succeed in the course. Students are expected to behave professionally and responsibly with regards to all aspects of this course. It is also the responsibility of the student to fulfill the prerequisites of this course. I reserve the right to adjust any grade on my subjective evaluation of a student's performance.
5. *Learning vs. Passing*: I assume that students who take this class have desire to learn rather than merely want to pass the course and get the degree. Therefore, I expect students to prepare for the class i.e., complete assignments and read articles assigned in class. If my assumption is not applicable to you, I suggest you consider delaying taking this course or changing to another course.
6. *Learning by Doing*: Many prior studies show that the retention rate of student's learning is much higher when students do than when they merely listen or see (90% vs. 30%). With this finding, I use 'learning by doing' approach in this class and that include learning and working outside of the classroom. Students are expected to invest their time to complete both required and optional projects for the class.
7. *Helping Others*: Prior studies also show that students retain the most by teaching others. The retention rate is about 95%. I strongly encourage you to tutor, discuss or share class materials with others especially your fellow classmates in order to get the most out of the class.
8. *Academic Integrity*: Academic honesty and integrity are the cornerstones of an academic institution. In general, academic honesty and integrity are matters of common sense: quizzes and exams are individual efforts, the case study or term project should not be copied from other students (past or present) or other sources. Cheating on quiz and exam will not be tolerated. Plagiarism is, simply stated, using someone's work without acknowledging. Plagiarism results in lower or fail grade. In your term paper, you have to be careful not to plagiarize. The case of cheating and plagiarism will be strictly handled according to the university policies in the student handbooks.
9. *Blackboard*: I will post important class materials on Blackboard and send weekly updates to you via Blackboard. I suggest everyone to visit Blackboard at least before every class.

Course Schedule*

Week 1	Class Introduction, Review of EMH and its implications to investment policy Chapter 1: The Wealth Management Process, Chapter 2: Fiduciary and CFA's Code of Ethics and Professional Standards Project 1 Introduction and Chapter 5: Gathering Data Articles: " <i>Future of wealth management</i> ", " <i>The future of financial planning</i> " (Jan 27, course drop/add deadline)
Week 2	Review of Modern Portfolio Theory and its statistical technique (Class Note) and Ch 7, 8 Chapter 13: Investment Policy Statement, Client info and scores from Project 1 dues on Feb 2
Week 3	Cont. Review of Modern Portfolio Theory and its statistical technique Test 1 Ch 2, 7 - 8, (Feb 10, withdrawal deadline)
Week 4	Project 2 Introduction, An article: " <i>Important of Asset Allocation</i> " Project 1 is due on Feb 14 in class
Week 5	Portfolio Optimization, asset allocation: Ch 9 and 10 Practice problems on Excel application
Week 6	Chapter 9 and 10 continued, Progress report on Project 2 Article: " <i>Sustainable spending rate</i> "
Week 7	Test 2 *** <i>Spring Break (March 11 – March 19)</i> ***
Week 9	Project II is due, Presentation
Week 10	Chapter 14: Portfolio Management, An article: " <i>Do some university endowments earn alpha</i> "
Week 11	Chapter 15: Performance Evaluation Project 3 Introduction
Week 12	Chapter 17: Selecting Investment Managers
Week 13	Test 3, Introduction portfolio enhancements: Portable Alpha
Week 14	Project III is due, Presentation
Week 15	Presentation

**Note: Additional modification, if any, will be announced during class or posted on the Blackboard. You are responsible to update all the changes that are being announced and/or posted.*