

Advanced Portfolio Analysis
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This is a course in the theory and application of portfolio management techniques.

Course Materials

1. Elton, Edwin, Martin Gruber, Stephen J. Brown, and William Goetzmann, Modern Portfolio Theory and Investment Analysis, 7th Edition (John Wiley, 2007) and accompanying software.
2. Notes package available at the bookstore.

All chapters are from Elton, Gruber, Brown, and Goetzmann.

Grading

Grades will be based on problem sets, the midterm and final. While the grading distribution will vary slightly according to the quality of the class in general, I follow the Finance Department Guidelines of

A 20-25%
B 55-70%
C and below 10-20%

I) Overview

II) Mean Variance Analysis: The Fundamentals – (7)

- 1) Basic Portfolio Analysis – Chapter 4 and 5
- 2) Solving for the Efficient Frontier – Chapter 6
- 3) Objective Functions – Chapter 11
- 4) International Diversification – an application- Chapter 12
- 5) Bond Portfolio Management – Chapter 22

III) Estimating Inputs – (4)

- A) Covariance Structure
- 1) Single-index Model – Chapter 7
 - 2) Multi-index Model – Chapter 8

B) Variances

- 1) Variance Estimation

C) Mean Returns

- 1) Models of Equilibrium – Chapter 10 and Chapters 13-16
- 2) Other Estimation

IV) Other Uses of Index Models – (4)

- 1) Simple Rules – Chapter 9
- 2) Performance Evaluation – Chapter 24
- 3) Portfolio Theory with Multi-index Models
- 4) Taking Factor Bets

V) Investment Vehicles – (6)

- 1) Open End Mutual Funds
- 2) Close End Mutual Funds
- 3) Exchange Traded Funds
- 4) Commodity Funds
- 5) Hedge Funds
- 6) Index Funds

VI) Other Issues – (6)

- 1) Liability Effects on Asset Allocation
- 2) Multi-period Strategies
- 3) Taxes and Asset Allocation
- 4) Portfolio Theory with Discrete Data
- 5) Special Issues of Pension Funds
- 6) Managing Endowments
- 7) Risk Control

VII) Overview – (1)

- 1) Chapter 27