This is a course in the theory and application of portfolio management techniques. In addition to the lectures on the material listed below, the courses will include 3 or 4 lectures by outstanding professionals in the field of portfolio analysis.

Course Materials
2. Reading package available at the bookstore and in the library (optional purchase)
3. Notes package available on Blackboard

All chapters are from Elton, Gruber, Brown, and Goetzmann. Readings are from the reading package and are identified by number and author name.

Numbers in parenthesis indicate the approximate number of half classes which will be spend on the topic.

I. Portfolio Analysis

A. Introduction Chapter 1

B. The Basics of Portfolio Theory (4)
   - The Two Security Cases Chapter 4: pp. 44-56
   - Generalizing to Multiple Assets Chapter 4: pp. 56-67
   - The Impact of Correlation Chapter 5: pp. 68-84
   - Riskless Lending and Borrowing Chapter 5: pp. 84-90
   - Calculating the Efficient Frontier Chapter 6

C. Selecting From Feasible Portfolios (1) Chapter 11: pp. 210-234

D. Simplifying the Portfolio Management Process (3)
   - The Single Index Model Chapter 7
   - Multi-Index Model Chapter 8
   - Recalculating the Efficient Frontier Chapter 9

II. Model of Relative Prices (3)
The Standard Capital Asset Pricing Model Chapter 13
Non Standard Forms of the Capital Asset Pricing Model Chapter 14
Test of Capital Asset Pricing Model Arbitrage Theory Chapter 15
Arbitrage Pricing Theory

Review Chapter 8, pp. 167-174;
Read Chapter 16

III. Performance
A. Open End Mutual Funds (4)
The Structure of the Industry Performance Lecture Notes
Overview Chapter 25
Reading 1: Elton, Gruber, Das Hlavka
Reading 2: Elton, Gruber, and Blake
Reading 3: Gruber
Reading 4: Sharpe
Reading 5: Sharpe
Reading 6: Modigliani and Modigliani
Reading 7: Statement of Senior Financial Economists Roundtable
Reading 8: Elton, Gruber, and Blake

B. Other Managed Portfolios (4)
1. Commodity Funds
   Reading 9: Elton, Gruber, and Rentzler
   Reading 10: Elton, Gruber, and Rentzler
2. Hedge Funds
3. Closed End Mutual Funds
   Reading 11: Elton, Gruber, and Busse
4. Exchange Traded Funds
   Reading 12: Elton, Gruber, Comer, and Li
5. Institutional Managers
6. Pension Funds
   Reading 13: Elton, Gruber, and Blake

C. Summary and Discussion

Grading
Grades will be based primarily on the midterm (45%), and final (55%). Homework assignments are intended to help you understand the material. 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%

In addition to my normal office hours, I will schedule one additional day at the convenience of the class before the final to be available to meet with you as individuals or in groups to discuss the course
of answer any questions you have about portfolio management of finance in general. There will be a reduction of one letter grade for missing the final and requesting a make-up.

Exam Dates:  Midterm, Nov. 10, 2008
Final, Dec. 15, 2008

Readings


Problem Assignments

Problem Set 1

1. Chapter 4 Problems 2 (part A & B and only the three security portfolios in part D) and 3
2. Chapter 5 Problems 2 and 5

Problem Set 2

1. Chapter 7 Problem 1 and 2
2. Chapter 8 Problem 5
3. Chapter 9 Problem 1 and 2
4. Beta Management Company

Problem Set 3

1. Cherry Hill Investments
2. Chapter 13 Problem 1, 2, 4, and 8
3. Chapter 16 Problem 1

Problem Set 4

1. Chapter 25 Problem 1, 2, 3, and 4