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

**Course Materials**

2. Reading package available at the bookstore.
3. Notes package available at the bookstore.

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

**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

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<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tr>
<td>A</td>
<td>20-25%</td>
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<td>B</td>
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**A. Portfolio Analysis**

(1) An overview

Chapter 26

(3) The Basics of Portfolio Theory

<table>
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<tr>
<th>Characteristics of Opportunity Set</th>
<th>Delineating Efficient Portfolios</th>
<th>Calculation of the Efficient Frontier</th>
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<td>Chapter 4</td>
<td>Chapter 5</td>
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(3) Simplifying the Portfolio Management Process

<table>
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<tr>
<th>The Single Index Model</th>
<th>Multi-Index Model</th>
<th>Recalculating the Efficient Frontier</th>
<th>Reading 1 -- Markowitz</th>
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<td>Chapter 7</td>
<td>Chapter 8</td>
<td>Chapter 9</td>
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(1) Selecting from Feasible Portfolios

Skim Chapter 10 and 11 with emphasis on Safety First

(1) Widening the Selection Universe

Chapter 12

International Diversification

(1) Some Special Considerations with Bonds
Management of Bond Portfolios

B. Model of Relative Prices

(3) The Standard Capital Asset Pricing Model
Non Standard Forms of the Capital Asset Pricing Model
Test of Capital Asset Pricing Model
Arbitrage Pricing Theory

C. Performance

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

(3) Other Managed Portfolios
   Closed End Mutual Funds
   Reading 9: Elton, Gruber, and Busee
   Exchange Traded Funds
   Commodity Funds
   Reading 10: Elton, Gruber, and Rentzler
   Reading 11: Elton, Gruber, and Rentzler
   Hedge Funds
   Reading 12: Brown
   Institutional Managers
   Reading 13: Lakowoshok, Shleifer and Vishny

(1) Other Considerations in Asset Allocation
   Overview of Industry

D. Risk Control

(3) Risk & Control Measures
   Reading 14: Beder
   Reading 15: Dimson and Marsh
   Reading 16: Sharpe and Tint

(1) Summary and Discussion