This is a course in the theory and application of portfolio management techniques. In addition to the lectures on the material 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.
3. Notes package available at the bookstore and/or at 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 spent on each topic.

#### A. Portfolio Analysis

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(1) Widening the Selection Universe -- International Diversification Chapter 12

(3) Simplifying the Portfolio Management Process
   The Single Index Model Chapter 7
   Multi-Index Model Chapter 8
   Recalculating the Efficient Frontier Chapter 9
   Reading 1 -- Markowitz (Skim)

B. 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 Chapter 15
    Arbitrage Pricing Theory Review Chapter 8, pp. 170-174
    Read Chapter 16

C. Performance

(1) Overview Chapter 24

(3) Open End Mutual Funds
   The Structure of the Industry -- Handout
      Reading 19: Elton, Gruber, and Blake
   Performance
      1. Reading 2: Elton, Gruber, Das, and Hlavka
      2. Reading 3: Elton, Gruber, and Blake
      3. Reading 4: Gruber
      4. Reading 5: Sharpe
      5. Reading 6: Sharpe
      6. Reading 7: Modigliani and Modigliani
      7. Reading 16: Elton, Gruber and Blake
      8. Reading 8: Statement of Senior Financial Economists Roundtable

(3) Other Managed Portfolios
   Closed End Mutual Funds
      Reading 9: Elton, Gruber, and Busse

   Commodity Funds
      Reading 10: Elton, Gruber, and Rentzler
      Reading 11: Elton, Gruber, and Rentzler

   Hedge Funds
      Reading 12: Brown
Institutional Managers
Reading 13: Lakonishok, Shleifer, and Vishny

(1) Summary and Discussion

Grading

Grades will be based primarily on the homework assignments (20%), midterm (30%) and final (50%). 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 Department of Finance Guidelines of

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

The date of the midterm exam is November 8, 2004.
The date of the final exam is December 13, 2004.

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 or answer any questions you have about portfolio management or finance in general.

READINGS


**Problem Assignments**

**Problem Set 1**

1. Chapter 4 Problems 2 and 3
2. Chapter 5 Problems 3 and 5
3. Chapter 6 Problem 1
Problem Set 2
1. Chapter 7 Problems 1 and 2
2. Chapter 8 Problem 5
3. Chapter 9 Problems 1 and 2

Problem Set 3
1. Chapter 10 Problem 2
2. Cherry Hill Investments

Problem Set 4
1. Chapter 12 Problems 1, 5, 6, and 7
2. Case at the end of Value at Risk notes in reading packet.

Problem Set 5
1. Chapter 13 Problems 1, 2, 4, and 8
2. Chapter 15 Problem 1
3. Chapter 16 Problem 1

Problem Set 6
1. Chapter 24 Problems 1, 2, 3, and 4
2. Case marked Mutual Fund Evaluation.

Problem Set 7
1. Design the optimum portfolio you would like to hold using the mutual funds from the
financial software. Justify your decision.