Office Hours: Monday 1:00-2:00 and 4:15-6:15
Wednesday 4:15-5:15 and by appointment

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

Course Materials
2. Reading 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.

A. Portfolio Analysis

(1) Introduction Chapter 1

(3) The Basics of Portfolio Theory
   The Two Security Case Chapter 4: pp. 46-54
   Generalizing to Multiple Assets Chapter 4: pp. 54-69
   The Impact of Correlation Chapter 5: pp. 70-88
   Riskless Lending and Borrowing Chapter 5: pp. 88-96
   Calculation the Efficient Frontier Chapter 6

(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

(1) Selecting from Feasible Portfolios Skim Chapter 10
    and 11 with emphasis on Safety First

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

Chapter 13
Chapter 14
Chapter 15
Review Chapter 8,
pp. 170-174
Read Chapters 16

MIDTERM

C. Performance

(1) Overview

Chapter 24

(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 4: Gruber
4. Reading 5: Sharpe
5. Reading 6: Sharpe
6. Reading 7: Modigliani and Modigliani
7. Reading 8: Statement of Senior Financial Economists Roundtable

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

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
D. **Risk Control**

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

(1) **Summary and Discussion**

**Grading**

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

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>20-25%</td>
</tr>
<tr>
<td>B</td>
<td>55-70%</td>
</tr>
<tr>
<td>C and below</td>
<td>10-20%</td>
</tr>
</tbody>
</table>