

Advanced Portfolio Analysis
B40.3332
Fall 1999
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This is a course in the theory and application of portfolio management techniques.

Course Materials

1. Elton, Edwin and Martin Gruber, Modern Portfolio Theory and Investment Analysis. John Wiley, 5th edition 1995 and accompanying computer program.
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

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| (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
-- International Diversification | Chapter 12 |

B. Model of Relative Prices

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| (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 Chapters 16 |

MIDTERM

C. Performance

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|-----|---|------------|
| (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: Lakowshok, 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

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