Aims
The main objective of this course is to introduce students to the underlying theory and empirical evidence in portfolio management while familiarizing them with its practice in the financial sector. The techniques developed should be useful for both students interested in practicing professions such as asset management or financial planning and for those interested in research. The course blends portfolio theory with practical issues encountered in the investment process. Topics include identifying investor objectives and constraints; evaluating risk and return characteristics of investment vehicles; developing strategic asset allocations among equity; managing portfolio risk; increasing portfolio return; and evaluating portfolio and manager performance relative to investment objectives and appropriate benchmarks. The focus is on understanding how funds are allocated in portfolio construction while other relevant topics such as security analysis, optimal portfolio selection and delegated portfolio management are also covered. The bias in the course will be towards equity markets rather than derivatives.

Learning Outcomes
By the end of this course, students should be able to:

- Demonstrate ability in making strategic asset allocation decisions, including selection of investment asset types, sectors, industries, and individual securities.
- Demonstrate confidence in constructing a portfolio and formulate appropriate investment strategies, including:
  - selection of passive indexing/active management strategies,
  - top-down/bottom-up portfolio construction approaches,
  - and risk management strategies.
- Evaluate and monitor portfolio performance with qualitative and quantitative methods.
- Create investment proposals and confidently present their work for prospective investors.
**Course Delivery**
The course will be delivered via one 2-hour lecture and one 1-hour seminar over a 10 week period.

**Assessment**
Formative assessment:

- Weekly problem sets and classes provide feedback. There will be one collaborative take-home assignment which will receive grades and standardized feedback. Although it will not have a formal weight, it must be completed.

Summative assessment:
- There will be one 2-hour exam taken in the Summer Term which will contribute 75% towards the final mark.
- There will be one take-home project of 2,000 words weighted at 25% of the final mark.

Dates of tests and coursework hand-in deadlines can be found in the Departmental Student Handbook and on the Economics Department website.

**Reading**
The main textbooks for the course are:


**Topics to be Covered in Lectures**
The Investment Environment
Portfolio Construction and Asset Allocation Concepts
Implementing Investment and Trading Strategies
Valuation and Analysis of Securities:
- Security valuation
- Fundamental analysis
- Technical analysis

Portfolio Management
Managing International Portfolios
Portfolio Performance Evaluation
Risk Management
Macroeconomics – Autumn Term:
This is for indication only as the order and speed at which subjects are covered may be altered. Recommended readings can be found on Moodle.

**Topic 1 Thinking like an Economist**
MT Chs 1 and 2

**Topic 2 Measuring the Economy: GDP**
1) Components of GDP
2) Nominal vs Real GDP
MT Chs 20 and 21

**Topic 3 Banks and the Monetary System**
1) The role of the central bank
2) Money Multiplier
MT Chs 24 and 26

**Topic 4 Inflation**
1) Consumer Price Index
2) Money neutrality
MT Ch 27

**Topic 5 Keynesian Economics**
1) IS/LM
2) Multiplier effect
MT Chs 30 and 31

**Topic 6 Aggregate Demand and Aggregate Supply**
1) Natural rate of output
2) Economic fluctuations
MT Ch 32
Topic 7 Monetary and Fiscal Policies
1) Government’s budget: taxes
2) Interest rate
MT Ch 33

Topic 8 Labour Market and the Inflation-Unemployment trade-off
1) Labour Force, labour participation
2) Frictional, Structural and cyclical unemployment
3) Phillips’ curve
4) NAIRU
MT Ch 23 and 34

Topic 9 Long Term Economic Growth
1) Production, Physical and Human Capital
2) The Solow Growth Model
MT Ch 22

Microeconomics – Spring Term:

Topic 1 Scarcity and the Gains from Trade.

MT pp. 17-28; Ch 19
EIE Chs 1, 20

Topic 2 Supply and Demand, Elasticity and Intervention in Markets

MT Chs 3, 4 and 8
EIE Chs 2-5

Topic 3 Consumer Choice

MT, Ch 5; pp 169-176
EIE Ch 6

Topic 4 Production and Costs

MT Ch 13
EIE Ch 7

Topic 5 Competitive Markets

MT Ch 6
EIE Chs 8-10

Topic 6 Monopoly and Imperfect Competition
Topic 7  Oligopoly, Games and Strategic Behaviour

MT Ch 16
EIE Ch 14

Topic 8  Market Failure, Externalities and Asymmetric Information

MT Chs 10 and 11
EIE Ch 18
Topic 9  Labour Markets

MT Ch 17
EIE Chs 16 and 17

Topic 10  Inequality

MT Ch 18