

Course Outline

Department of Accounting and Finance  
School of Business and Economics

**FNCE 4160-3**  
**Portfolio Management (3,0,0)**

**Calendar Description**

Students learn to design and implement an investment policy statement for an individual or institutional investor that establishes their financial objectives, risk tolerances, constraints, and investment and monitoring policies. Topics include setting investment objectives and policies, ethical standards and fiduciary duties, diversification and asset allocation, capital markets and market efficiency, equity portfolio management, fixed-income portfolio management, alternative investments portfolio management, evaluating portfolio performance, and monitoring and rebalancing portfolios.

**Educational Objectives/Outcomes**

Upon completing this course, students will be able to:

1. Construct a policy statement reflecting the objectives and risk tolerances of various types of individual and institutional investors.
2. Formulate a personal code of ethics based on industry standards and fiduciary duties.
3. Evaluate the effect of risk on investment decisions.
4. Justify their view on market efficiency using both theoretical and empirical arguments.
5. Analyze the gains from diversification and asset allocation using spreadsheet software.
6. Develop an integrated portfolio management plan including equities, fixed income assets and alternative investments reflecting the goals, risk tolerance, and circumstances of individual and institutional investors.
7. Appraise portfolio performance using appropriate methodologies.
8. Assess various monitoring and rebalancing strategies.

**Prerequisites**

FNCE 3170, FNCE 3180

**Co-requisites**

None

**Texts/Materials**

Reilly, Brown, Hedges, and Chang, Investment Analysis and Portfolio Management, 1<sup>st</sup> Canadian Edition, Nelson.

## Student Evaluation

Tests/quizzes	30-40%
Case studies/research projects/assignments	30%
Final exam	30-40%

Students must pass the exam to pass the course.

## Course Topics

### 1. Setting Investment Objectives and Policies

- Individual investors
- Institutional investors
  - Pension funds
  - Foundations and endowments
  - Insurance industry
  - Banks and other institutional investors

### 2. Ethical Standards and Fiduciary Duties

- Current investment industry standards
- Emerging areas

### 3. Risk and Return

- Measurements and estimates
- Assessing the relationship between risk and return

### 4. Capital Markets and Market Efficiency

- Market characteristics and indices
- Efficient markets
- Market expectations and economic analysis
- Asset pricing models

### 5. Diversification and Asset Allocation

- Asset allocation
  - Strategic versus tactical
  - Passive versus active strategies
- International diversification
- Efficient portfolios

### 6. Portfolio Management

- Equity portfolio management
  - Valuing equities
  - Investment styles
  - Security selection and screening
- Fixed-Income portfolio management
  - Valuing fixed-income securities

- Bond diversification
- Liability matching
- Alternative investments portfolio management
  - Real estate, commodities, derivatives
  - Hedge funds, private equity

7. Evaluating Portfolio Performances

- Risk weighted performance measures
  - Sharpe
  - Treynor
  - Jensen
- Dollar weighted rates of return
- Time weighted rates of return
- Other performance measures

8. Monitoring and Rebalancing

- Monitoring changes in investor circumstances and constraints
- Monitoring market and economic changes
- Passive versus active management
- Benefits and costs of rebalancing
- Tactical asset allocation
- Barbells and ladders

**Methods for Prior Learning Assessment and Recognition**

As per TRU policy

**Attendance Requirements – Include if different from TRU Policy**

As per TRU policy

**Special Course Activities – Optional**

**Use of Technology – Optional**