

MB403.1: Investment Management

Course Objectives:

- To introduce students to the world of security valuation and portfolio management.
- To enrich student's understanding of the fundamental principles of security valuation, portfolio construction and performance evaluation of fund managers.
- To equip students with the knowledge and skills necessary to manage equity portfolios.

Unit I: Investments:

Investment-Objectives and Constraints, Real Vs. Financial Assets, Sources of Investment Information, Investment, Speculation, The Concept and Measurement of Return-Realized and Expected Return, Ex-Ante and Ex-Post Returns. Measurement of Risk-Range, Standard Deviation and Co-Efficient of Variation, Risk-Return Trade-Off, Risk Premium, Risk Aversion, Approaches to Investment Analysis-Fundamental Analysis, Technical Analysis, And Efficient Market Hypothesis.

Unit II: Fixed Income Securities - Analysis, Valuation and Management:

Features and Types of Debt Instruments, Bond Indenture, Factors Affecting Bond Yield, Bond Yield Measurement-Current Yield, Holding Period Return, YTM, AYTm and YTC, Bond Valuation: Capitalization of Income Method, Bond-Price Theorems, Valuation of Deep Discount Bonds, Bond Duration, Macaulay's Duration and Modified Macaulay's Duration; Bond Convexity. Bond Immunization, Bond Management Strategies: Active and Passive Bonds.

Unit III: Common Stocks - Analysis and Valuation:

Basic Features of Common Stock, Approaches to Valuation, Balance Sheet Model, Dividend Capitalization Models, Earnings Capitalization Models, Price-Earnings Multiplier Approach and Capital Asset Pricing Model (CAPM), Free Cash Flow Model, Relative Valuation using Comparables- P/E,P/BV, P/S; Security Market Indexes, Their Uses.

Unit IV: Portfolio Theory:

Elements of Portfolio Management, Harry Markowitz's Portfolio Theory, Construction of Minimum Risk Portfolio, the Single-Index Model, Capital Market Theory: Introduction of Risk-Free Asset, Capital Market Line, Separation Theorem. Capital Asset Pricing Model (CAPM), Security Market Line, Arbitrage Pricing Theory (APT). The Law of One Price, Two Factor Arbitrage Pricing,

Unit V: Portfolio Evaluation:

Performance Measures-Sharpe's Reward to Variability Index, Treynor's Reward to Volatility Index, Jensen's Differential Index, Fama's Decomposition of Returns, Mutual

Funds: Genesis, Features, Types and Schemes, NAVs, Costs, Loads and Return of Mutual Funds, Problems and Prospects in India Regulation of Mutual Funds and Investor's Protection in India, SEBI Guidelines for Portfolio Managers.

Suggested Books:

1. Alexander. G.J, Sharpe, W.F and Bailey. J.V., "Fundamentals of Investments", PHI, 3rd Ed.
2. Prasanna Chandra, "Investment Analysis and Portfolio Management", TMH, 3rd Ed.
3. Charles.P.Jones, "Investments: Analysis and Management", John Wiley & Sons, Inc. 9th Ed.
4. Francis.J.C. & Taylor, R.W., "Theory and Problems of Investments". Schaum's Outline Series, McGraw Hill
5. Herbert. B. Mayo, "Investments: an Introduction", Thomson South Western. 9th Ed.

Course Outcomes :

- Appreciate the different forms of investment
- Understand the risk and return associated with different types of investments
- Undertake analysis of investments
- Appreciate how optimum portfolio's are constructed