

Code: 81011

Subject name: Portfolio Theory and Management

GENERAL CHARACTERISTICS

ECTS: 3

Language/s: English

Type: Obligatory

Teacher: Francesc Ortí Celma

DESCRIPTION

BRIEF DESCRIPTION AND JUSTIFICATION

In this subject the student understands the basic concepts of historical and expected profitability through a weighting of financial products in a portfolio to be able to estimate the simple and average profitability in a given period, as well as the expected and annualized profitability of an asset.

To do this, the student will know various risk concepts, measurement with volatility, and their advantages and disadvantages in assets and portfolios. It also performs a comparison between assets, learning to calculate the annualized, historical and expected volatility. The ultimate goal is to know how to reduce risk as a goal of portfolio construction.

This will mean the meaning of efficient capital markets and their characteristics, anomalies and consequences in their different degrees of efficiency and the techniques to be used in each case.

On the other hand, the models that form part of the theory of portfolios, the international norms, and the way of informing the client of the short- and long-term results of the portfolio's returns are studied.

Competencies

As a consequence of the acquisition of the contents of the subject, the student will be able to:

CT3. Identify and address ethical and social responsibility dilemmas in the field of finance, applying personal and organizational ethical values. (Ethical Commitment).

CE4. Optimize the management of portfolios and wealth, risk coverage and business financing decisions, applying the principles of analysis and valuation of financial products investment and financing. (Financial investment and financing operations).

Prerequisites

Requirements legally established to access postgraduate programs:

Degrees in the field of social, scientific or technological sciences.

Contents

1. Risk and performance framework.
2. Efficient capital markets.
 - A. The concept of efficiency in capital markets.
 - B. Different hypotheses of market efficiency.
 - C. Consequences of market efficiency and anomalies.
3. Portfolio Theory.
 - A. Fundamental aspects of Portfolio Theory.
 - B. Selection of the optimal portfolio.
 - C. Sharpe's market model.
 - D. Model of asset balance (CAPM).
 - E. Other theoretical models: Graham and Dodd.
4. Asset Allocation Process:
 - A. Definition.
 - B. Distribution of Assets: Asset Allocation Matrix.
 - C. Elaboration of Model Portfolios.
 - D. Different types of Asset Allocation.
5. Measurement and Attribution of results.

- A. Measures of Profitability.
 - B. Measures of profitability adjusted to the risk.
 - C. Comparison with benchmark: Benchmark.
 - D. Application to the analysis and selection of funds.
 - E. Attribution of results: Process and calculations.
6. Performance information to customers
- A. Attribution of results in the short and long term.
 - B. International reporting standards: Global Investment Performance Standard GIPS
7. Real estate investment as part of the portfolio to be managed

METHODOLOGY

TRAINING ACTIVITIES:

Training activities	ECTS	Competencies
Lectures presenting concepts and procedures	1,7	CT3
Practical sessions (exercises, case resolution)	0,4	CT3
Assignments by Students		
Seminars or tutorials	0,2	CT3
Personal study activities	0,6	CT3
Assessment sessions	0,1	CT3
Internship in Company		
TOTAL	3	

EXPLANATION OF TEACHING METHODOLOGY

There are two types of training activities:

1.- Exposition and reading of theory on matter

It corresponds to the exposition of the subject by the teacher and to the study of the subject by the student. This activity seeks to know the theoretical fundamentals of the subject, as well as the main concepts about portfolio management in order to determine their profitability and their level of risk.

2.- Practical exercises and case discussion

It corresponds to the preparation by the students of the practices corresponding to each theoretical theme and the preparation of several works and their subsequent presentation to assimilate the knowledge leading to the transversal and specific competences. In addition, this section takes into account both the practical sessions, the seminars and tutorials that are developed during the course, and the sessions of continuous evaluation. The works are carried out individually or in groups and are aimed at the practical application of the knowledge acquired during the course and their exposure and reasoning in public, demonstrating the ability to compose and manage a portfolio with certain levels of profitability And risk adapted to the profile of each client.

METHODS OF EVALUATION

Methods of evaluation

Methods of evaluation	Weight	Competencies
Final exam	40%	CT3
Midterm exam	40%	CT3
Following up activities		
Homework and presentations	20%	CT3
Experimental work or fieldwork	-	
Projects	-	
Evaluation of the company or institution	-	

Participation		
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LEARNING OUTCOMES

At the end of the course the student should be able to:

- Know the difference between historical profitability and expected profitability of an asset, and learn how to calculate the simple and average return in a given period, as well as the expected and annualized profitability of an asset.
- Know how to calculate the concept of weight or weighting of the assets of a portfolio, as well as its historical and expected profitability in a portfolio of several securities.
- Knowing different risk concepts, measurement with volatility, and their advantages and disadvantages in assets and portfolios, comparison between two assets, annualized, historical and expected volatility. Knowing how to reduce risk as a goal of portfolio construction.
- Know the meaning of the Normal Law.
- Understand the meaning of efficient capital markets and their characteristics, anomalies and consequences in their different degrees of efficiency and the techniques to be used in each case.
- Know the models that are part of portfolio theory, international standards, and how to inform the client of the short and long-term results of the portfolio's returns.

EVALUATION

The final grade of the course responds to criteria of continuous evaluation and will be the result of applying the following percentages: 40% for the final exam, 40% for the partial exams and 20% for the delivery of papers and presentations.

EVALUATION OF COMPETENCIES

The ethical commitment competence is evaluated based on a paper presented from a real case and the evaluation tests carried out during the course.

Bibliography

Bibliography

Reilly, Frank K. y Brown, Keith C. (2003): Investment Analysis and Portfolio Management. 7ª edición. Thomson South-Western.

Swensen, David F. (2005): Unconventional Success: A Fundamental Approach to Personal Investment. Free Press, New York.

Swensen, David F. (2000): Pioneering Portfolio Management: An Unconventional Approach to Institutional Investment. Free Press, New York.

PREVIOUS CHANGES

LAST REVISION