Investment Management

General data

Course code:	M23VZC04E
ECTS credits:	6
Type of the course:	Elective (C)
Semester:	Spring Semester 3
Course restrictions:	-
Course leader (with availabilities):	*Dr. Vivien CSAPI, Associate Professor* *+ 36 72 501 599/23124* *csapiv@ktk.pte.hu* *office: B214*
Further lecturer(s) (with availabilities):	*Dr. Alexandra POSZA, Assistant Professor* *+36 72 501 599/23141* *poszaa@ktk.pte.hu* *office: B213*

1. Description and aims

The course teaches specific skills as well as helps students develop a broader understanding of financial markets. Both areas are needed in professional investment portfolio management. The specific skills lay the foundations for analytical tools considered 'industry standard' in the asset management business. These tools (e.g. Sharpe's Index), and their extensions, are used daily in practice. One must understand how to use these tools and how they can be implemented in practice. A broader understanding of financial markets is also needed in a changing world, where existing practical tools and modes of implementation do not always work. A successful investment professional needs to adapt to new situations and commit to lifelong learning. One must improve existing practices and sometimes create entirely new tools (e.g. measuring the performance of hedge funds). A systematic approach that is built on understanding the theory and empirical features of financial markets is needed in that task.

2. Intended Learning Outcomes (ILOs)

Upon the successful completion of this course, students should be able to:

CILO1. Apply fundamental and sentiment based security analysis, based on market and annual report data (PILO3).

CILO2. Correctly judge an investment decision making situation related to long term or short term investment goals, or ESG integration (PILO4, PILO8).

CILO3. Correctly judge responsible investment opportunities, select based on the identified requirements and International Reporting and Valuation Standards (PILO7).

CILO4. Include the international aspects of investment types in the decision-making process, and create an international portfolio based on the identified goals of certain individual risk profiles (PILO4, PILO8).

(The remarks in brackets express each CILO's connection to the Program Intended Learning Outcomes (PILOs).)

3. Content, schedule

1. Introduction
   Practical information, objectives and a brief overview of the course contents.

2. Returns, risk, and investment performance
   How to measure returns and risks. How to measure the risk-adjusted performance of investments. Long-term performance of major asset classes. BKM 5, 24.1-2.

3. Portfolio Theory
   Risk and return for combinations of assets. Risk aversion and utility. Problems with real investors' portfolios. BKM 6, 7, 8.1 (43 pages).

4. Portfolio Theory and CAPM
   Mean-variance portfolio optimization. Co-movements of stocks and the diversification environment. What happens in equilibrium when all investors mean-variance optimize? BKM 8.2, 9.1 and Chapter 9.

5. Asset pricing
   The market risk premium. Estimating CAPM beta. Multi-factor models. How well does the CAPM explain actual stock returns? BKM 10, 13.1-3.

6. Market Efficiency - The Hypothesis
   The classic definition. Further philosophy on market efficiency. Issues in testing EMH. BKM 12.1-3, 12.4.

7. Market Efficiency - The Evidence
   Views on efficiency - old school vs. new school. Asset pricing anomalies and investment strategies. Performance of professionals. Are the markets sometimes wrong? BKM 12.4, 12.6, 24.5-6

8. Fixed-Income Securities
   Valuation with constant interest rates, interest rate risk, duration, and the term structure of interest rates. BKM 14.1, 14.2-5, 15, 16.1.

9. Investor Risk Profiles I.
   Profiling using the CFA protocol. https://www.cfainstitute.org/en/research/industry-research/investment-risk-profiling

10. Investor Risk Profiles II.
    Cases

11. Investor psychology & behavioral finance
    Systematic biases in decision-making. Rational vs. real-life investors. Psychology of risky choice. Implications for market efficiency and arbitrage. BKM 12.5.

12. Complex case studies

4. Learning and teaching strategy, methodology

The lectures mostly add to and complement the material found in the textbook. The purpose is **not** to merely duplicate book content. The intent is to add value by presenting and discussing

New important scientific research

How the mathematical solution of methods can be interpreted and included in the decision-making processes.

Textbook content, but perhaps presented in a different manner

The lectures are built on the assumption that the audience is already somewhat familiar with the corresponding textbook material. We recommend that students read the material beforehand. (CILO 1, 2).

The case studies provide opportunities for students to practice skills and apply knowledge developed during the lectures (CILO3, CILO4).

5. Assessment

Formative assessment elements:

Consultations will be offered to the students to discuss financial analysis issues and to provide feedback on their performance prior to the submission of the coursework.

Summative assessment elements:

Individual Assessment	100%	**Group Assessment**	%

Name of the element	**Weight**	**Type**	**Details**	**Retake opportunity**	**Req.***	**Related CILOs**
Weekly tests online	30%	Individual written coursework	Each topic involves questions qualitative use of investment method results	No	No	1, 2, 3, 4
Complex case solution (Final Exam)	70%	Individual written exam	An investment case solution	2 times in the exam period (1 retake, and 1 improvement opportunity)	Yes	1, 2

** Req.: Completion of the element is required to pass the course, irrespective of the performance in other elements.*

6. Learning materials

- Essential

Bodie, Z. - Kane, A. - Marcus, A. J. (2014): ”Investments”, Irwin / McGraw – Hill, 10th ed.

- Recommended

Investor sites such as http://finance.yahoo.com/ or http://www.4-traders.com/

7. Further information

International aspects embedded with the course

The valuation techniques are based on the international standards and best practices.
Ethics, Responsibility & Sustainability (ERS) aspects embedded with the course
ESG funds, indexes will be included in the analysis, these will help students understand the factors shaping the investment environment.
Connections to the world of practice of the course
Guest lecturers from investment, broker companies will be hosted at the course.