

BIRLA INSTITUTE OF TECHNOLOGY AND SCIENCE, PILANI – HYDERABAD CAMPUS

SEMESTER II: 2017-18

Course Handout Part II

Date: 07/01/ 2019

In addition to part -I (General Handout for all courses appended to the time table) this portion gives further specific details regarding the course.

Course No. : ECON F412/FIN F313
Course Title : Security Analysis & Portfolio Management
Instructor-in-charge : Hussain Yaganti

1. Scope & Objective: Introducing students to the *World of Investments*.

The objective and focus of the course is to give an insight into evaluation and analysis of a wide range of financial securities and thereby developing techniques for designing an optimal portfolio. The main emphasis of the course is to impart an understanding of the methods and techniques of Risk Quantification, Security Valuation, Fundamental Analysis, and Technical Analysis required for security selection for designing an optimal portfolio.

After completing this course the students shall be able to:

- A/** Appreciate and apply the concepts of Investment analysis in theory as well as in a real-life situation.
- B/** Identify numerous investments related risks that an investor is subject to while investing in financial securities.
- C/** Differentiate between various classes of financial securities such as Equities, Fixed Income Securities, and Derivatives and learn various techniques to value and analyze these securities.
- D/** Carry out Fundamental Analysis (that involves Economy Analysis, Industry Analysis and Company Analysis) to study the intrinsic strength of a firm and make investment decisions based on the study.
- E/** Analyze and interpret various technical charts related to stock price movements and predict future price movements to comment on Buy/Sell/Hold decisions.
- F/** Understand the mechanics of Derivatives trading and develop various strategies for hedging or speculation using derivatives.
- G/** Comprehend the news items appearing in the financial dailies.

2. Text book (TB):

T1: Reilly Frank K and Keith C. Brown, Investment Analysis and Portfolio Management, 10th edition CENGAGE Learning, 2012.

3. Reference books (R):

1. Zvi Bodie, Alex Kane, Alan Marcus, Pitabas Mohanty, “Investments”, 2010, McGraw Hill.
2. Prasanna Chandra - Investment Analysis and Portfolio Management, 4th edition, TMH.
3. D.E. Fisher and R.J. Jordan - Security Analysis and Portfolio Management, Prentice-Hall/Pearson

Edu., th Edition, 1995

4. J. fuller & James L. Farrell – Modern Investment & Security analysis - McGraw Hill, International Ed.
5. J.C. Francis, Investments: Analysis and management, 5th Ed., 1991, McGraw Hill, Singapore
6. M.Ranganatham & R. Madhumathi: Investment Analysis & Portfolio Management, Pearson Education.

4. Comprehensive Course Plan:

Lecture No.	Learning Objectives	Topics to be covered	Ref.
1-4	Exposure to investment climate, Risk and return.	Introduction to Investments. Risk and return, investor life cycle, securities and its various types, global security markets. Organization and functioning of security markets, indexes and their calculations, Types of orders, trading mechanism, common stock exchange problems, margin trading,	Ch 1-5 TB
5-20	Modern portfolio theory	Markowitz model, Sharpe's Single Index model, Capital Asset Pricing model, Arbitrage pricing, Multi factor Models.	Ch 6-9 TB
21-30	Exposure to Fundamental Analysis and technique of Security valuation	Economy, Industry & Company Analysis, Models of Security Valuation (Cash Flow Model and Dividend Discount Model), Multiple Growth rates, Dividend Capitalization Approach, Basic features, patterns and parameters.	Ch 10-14TB
31-32	Technical Analysis	Understanding the significance and limitations of Technical Analysis. Popular figures and chart patterns (support and resistance level, moving averages, Price-volume indicators, momentum indicators) their analysis and interpretation.	Ch 15-16 TB
33-38	Exposure to Bond Fundamentals	Basics of Time Value of Money, Bond Valuation, Analysis & management. Bond Strategies, Duration, Immunization etc.	Ch 17-19 TB
39-40	Derivatives and Evaluation of Portfolio Performance	Introduction to Options, Futures, Forwards, Option and Futures Pricing. Portfolio performance measures	Ch 20 -22 TB Ch 25 TB & Class Notes

Learning Outcomes:

1. Introduction to Investments

Learning Outcomes: This topic introduces the concepts of risk and return. Students gain exposure to investment investor life cycle, securities and its various types, global security markets. Organization and functioning of security markets, indexes and their calculations, Types of orders, trading mechanism, common stock exchange problems, margin trading and other related concepts.

2. Portfolio Theory and applications

Learning Outcomes: This topic introduces and applies both optimal portfolio construction and pricing risk assets. Further students will learn how to evaluate the performance of portfolios. The topics mainly introduced as: Markowitz model, Sharpe's Single Index model Capital Asset Pricing model, Arbitrage pricing and Portfolio performance evaluation.

3. Fundamental Analysis

Learning Outcomes: This topic introduces the concept relating to valuation of equity securities through fundamental analysis. The major topics covered are: Economy, Industry & Company Analysis, Models of Security Valuation (Cash Flow Model and Dividend Discount Model), Multiple Growth rates, Dividend Capitalization Approach, Basic features, patterns and parameters.

4. Technical Analysis

Learning Outcomes: This topic introduces an alternative approach to valuation, with an assumption that markets are not efficient. The students will gain understanding the significance and limitations of Technical Analysis. Popular figures and chart patterns (support and resistance level, moving averages, Price-volume indicators, momentum indicators) their analysis and interpretation are discussed.

5. Fixed income or Bond Markets

Learning Outcomes: Apart from equities, bonds form another major asset class. Students learn bonds concepts, such as, Time Value of Money, Bond Valuation, Yield to maturity, Analysis & management. Bond Strategies, Duration, Immunization etc.

6. Derivatives and Portfolio Performance

Learning Outcomes: Derivatives can play an important role in portfolio management. Students will be introduced option and futures strategies to reduce the portfolio risk. Further students will learn about different portfolio performance Techniques.

5. Evaluation Scheme:

S. No.	Evaluation Component	Durati on	Weightage(%)	Date & Time -- Venue	Nature of Evaluation
1	Mid Sem Examination	1Hr 30 Mints	30	16/3 11.00 -12.30 PM	CB
2	Surprise Quizzes/tests		10		CB
3	Assignments/Presentations		20		OB
4	Comprehensive Examination	3 Hours	40	13/05 AN	CB

6. Chamber Consultation Hour: Wednesday 10:30 – 11:30 AM

7. Notice: All notices pertaining to this course shall be displayed on the **Course Management System (CMS)** or the **Economics and Finance Notice Board**.

8. Make-up policy: Make-up will be approved only for students who give a prior (on or before test date) intimation with a genuine reason.

9. Academic Honesty and Integrity Policy: Academic honesty and integrity are to be maintained by all the students throughout the semester and no type of academic dishonesty is acceptable.

**Instructor-In-Charge
ECON F412/FIN F313.**