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| FOS_H | The Lee Kong Chian School of BusinessAcademic Year 2024/25Term [\*] |

**FNCE6080 Applied Portfolio Management**

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**COURSE DESCRIPTION**

This course provides a comprehensive, hands-on approach to the management of investment portfolios. It is designed in gaining practical experience in portfolio construction, asset allocation, risk management, and performance evaluation. The course covers a range of topics in modern portfolio theory, quantitative methods, and financial analysis, while focusing on the application of these principles in real-world scenarios.

Students will learn how to select, monitor, and adjust investment strategies to meet specific investment objectives and risk tolerances. The course emphasizes both traditional and alternative asset classes, including equities, fixed income, commodities, and alternative investments like private equity and hedge funds. A significant portion of the course is dedicated to understanding and managing the risks associated with various investment strategies, including market risk, credit risk, and liquidity risk. Practical tools and techniques, such as mean-variance optimization, the Capital Asset Pricing Model (CAPM), and the efficient frontier, will be explored using real-time data and portfolio management software. Students will also engage in simulations and case studies, taking on the role of portfolio managers and analysing the performance of real-world portfolios.

The course culminates in a final project where students will build, analyse, and present a diversified investment portfolio, demonstrating their ability to apply theoretical concepts in a practical setting.

**LEARNING OBJECTIVES**

This course provides an overview of portfolio management, the asset management industry, and portfolio construction process. A portfolio approach is important to investors in achieving their financial objectives. The course outlines the steps in the portfolio management process in managing an investment portfolio. The course will also cover rationales for investing in equities include potential participation in the growth and earnings prospects of an economy’s corporate sector as well as an ownership interest in a range of business entities by size, economic activity, and geographical scope. Publicly traded equities are generally more liquid than other asset classes and thus may enable investors to more easily monitor price trends and purchase or sell securities with low transaction costs.

* Understand the foundations of portfolio theory and investment management.
* Develop the ability to create and manage diversified portfolios.
* Analyse and evaluate investment opportunities across different asset classes.
* Utilize quantitative methods and financial tools for asset allocation and risk management.
* Apply performance evaluation techniques to assess portfolio returns and risk-adjusted performance.
* Gain practical experience through simulations, case studies, and real-world portfolio analysis.

**PRE-REQUISITE/ CO-REQUISITE/ MUTUALLY EXCLUSIVE COURSE(S)**

Please refer to the Course Catalogue on OASIS for the most updated list of pre-requisites / co-requisites for this particular course. Do note that if this course has a co-requisite, it means that the course has to be taken together with another course. Dropping one course during BOSS bidding would result in both courses being dropped at the same time.

**ASSESSMENT METHOD**

Class Participation: 20%

Group Presentation and Report on Sectors & Industries: 25%

Individual Presentation and Report on Stock Pitch: 25%

Written Report:

* No longer than 10 pages on A4-sized paper, excluding an appendix no longer than 10 A4-sized pages;
* Original work of the team members;
* From perspective of an independent research analyst;
* Contain but not limited to the following sections:
  + Business description
  + Industry overview and competitive positioning
  + Investment summary
  + Valuation
  + Financial analysis
  + Investment risks
  + Environment, social and governance

Final Examination: 30%

**ACADEMIC INTEGRITY**

All acts of academic dishonesty (including, but not limited to, plagiarism, cheating, fabrication, facilitation of acts of academic dishonesty by others, unauthorized possession of exam questions, or tampering with the academic work of other students) are serious offences.

All work (whether oral or written) submitted for purposes of assessment must be the student’s own work. Penalties for violation of the policy range from zero marks for the component assessment to expulsion, depending on the nature of the offence.

When in doubt, students should consult the course instructor. Details on the SMU Code of Academic Integrity may be accessed at http://www.smuscd.org/resources.html.

**POLICY ON PLAGIARISM**

All work presented in this class must be your own work, and not copied without appropriate citation from any source, including the Internet. Presenting of copied work not your own will result in disciplinary action, which may include award of zero marks for the assignment or a fail grade for the class. This policy applies to all work submitted, either through oral presentation, or written work, including outlines, briefings, group projects, self-evaluations, etc. Students are encouraged to consult the lecturers if they have questions concerning the meaning of plagiarism or whether a particular use of sources constitutes plagiarism.

* When preparing cases and assignments you should not receive any related input (oral or written) from anyone who has already participated in this course.
* Academic integrity policy of this course will be enforced and violators will expose themselves to very serious consequences in accordance with the policies of the university
* This policy implies in particular that you should:
  + Never, ever ask for/obtain/use hints or material for an assignment from any student or alumni who has already taken the course.
  + Never, ever perform a search on the internet to find information relative to a graded assignment.

See the SMU “Guidelines to prevent Academic Dishonesty” which is available in the e-Wise intranet. It describes measures to discourage and prevent breach of academic integrity in undergraduate programmes.

**ACCESSIBILITY**

SMU strives to make learning experiences accessible for all. If you anticipate or experience physical or academic barriers due to disability, please let me know immediately. You are also welcome to contact the university's disability services team if you have questions or concerns about academic provisions: [included@smu.edu.sg](mailto:included@smu.edu.sg).

Please be aware that the accessible tables in our seminar room should remain available for students who require them.

**INSTRUCTIONAL METHODS AND EXPECTATIONS**

**Class Participation**

Class interaction and participation are encouraged. Students should join in class discussions with constructive opinions and comments. This will help facilitate the exchange of ideas among students. Topics to be discussed will include current global investments and financial issues. Hence, students are expected to keep abreast of current developments in the financial markets by reading leading business dailies/weeklies like the Asian Wall Street Journal, The Economist and Bloomberg Business.

**Group Industry Sector Presentation**

Students will be grouped into teams to work on an industry sector presentation. Each Group will select one Industry Sector based on GICS classification: Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financial, Information Technology, Communication Services, Utilities, Real Estate. Each team will be responsible for an in-class presentation and final report. Each presentation must be concise and limited to 20 minutes. Grades will be awarded based on the following:

* Quality and preparation of presentation;
* Explore industry sector on a global level and differences between different regions;
* Provide statistics and historical data about the nature of the industry and growth potential for your business, based on economic factors and conditions;
* Include specific information about growth patterns of the industry sector;
* Compile economic data and industry projections;
* Submission of the group’s detailed report and power-point slides.

The full report (together with the presentation slides) must be handed in prior to the presentation. Each presentation and report should include, but are not limited to, the following categories:

* Business description;
* Industry overview and competitive positioning;
* Investment summary
* Valuation
* Financial analysis
* Investment risks; and
* Environmental, social, governance

**Case Study Discussion**

Instructor of the course will explore opportunity of potential case study.

**Final Examinations (to be determined by course instructor)**

There will be a final exam of 2 hours. It will be mixture of multiple-choice questions and structured questions. The exam is closed-book and will focus on the materials covered in class. No make-up exams will be allowed without valid reasons supported with documentary evidence. Everyone should follow the school’s examination policy exercising honesty and integrity during the exams.

**Recommended Text and Readings**

Investments, 13th Edition

By Zvi Bodie, Alex Kane and Alan Marcus © 2024

(Published by McGraw Hill) (First published February 1989)

Investment Analysis and Portfolio Management 11th Edition

By Keith Brown (Author), Sanford Leeds (Author), Frank Reilly

**WEEKLY LESSON PLANS (Subject to change):**

| **Week No.** | **Concepts / Topics Covered** | **Required Reading** |
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|  | Introduction to the course  Forming of group  Portfolio Management overview   * Asset classes * Equity investment universe * Asset allocation * Portfolio diversification * Cost associated with managing an equity portfolio * Passive versus active portfolio management * What are ETFs | To be determined at later stage |
|  | Segmenting the equity investment universe   * Sectors & industries * Geography   Risk and Return   * Rate of Return, Expected Return and Standard Deviation * CAPM | To be determined at later stage |
|  | Constructing Investment Policy   * Investment Objectives * Investment Guidelines/Constraints   Fundamentals of Portfolio Construction  Trading strategies, including trading costs | To be determined at later stage |
|  | Group Presentation on Sectors and Industries   * Class of 30 will be divided into groups of 5 members * Each Group will select one Industry Sector based on GICS classification: Energy, Materials, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Financial, Information Technology, Communication Services, Utilities, Real Estate * In each Industry Sector presentation, each Group will identify companies of interest. These companies will likely be used for Stock pitch | To be determined at later stage |
|  | Individual Presentation on Stock pitch  Each member of the class will select one public listed company that potentially be included in the investment universe   * Analysis of company,, industry and competitors * Investment themes of the recommendation * Valuation methodologies * Incorporate ESG considerations * Financial statement analysis | To be determined at later stage |
|  | Individual Presentation on Stock pitch  Each member of the class will select one public listed company that potentially be included in the investment universe   * Analysis of company,, industry and competitors * Investment themes of the recommendation * Valuation methodologies * Incorporate ESG considerations   Financial statement analysis | To be determined at later stage |
|  | Group Presentation on Portfolio Construction to Investment Committee  Investment Committee composition   * 2 Academic Directors * 1 Course instructor * 1 representative from SMU Office of Investment   Trade orders will be delivered to the trading team for execution at the end of class 6 | To be determined at later stage |
|  | Guest Speaker Panel session: Traditional Portfolio Management  Speakers include Equity Portfolio Managers or Senior Analysts, Fixed Income Portfolio Managers or Senior Analysts, Private Equity, Private Debt and/or Real Estate Investment Professionals. | To be determined at later stage |
|  | Analysis on the Rebalancing of Portfolio  Performance Attribution (using the portfolio constructed) | To be determined at later stage |
|  | Guest Speaker and Fire-Side chat  Invitees may include Hedge Fund Managers and Specialists, covering Global Macro, Market Neutral, Long/Short, Quantitative  Course revision and wrap up | To be determined at later stage |
|  | **Final Examination (to be determined)** |  |