



## Fixed Income Portfolio Management

The recent period of uncertainty in the equity markets has produced renewed interest in bonds. Participants discover how principles of diversification and risk control are applied by fixed income money managers in constructing institutional portfolios.

### Available Session(s):

12-Nov-2008 -- 14-Nov-2008    New York    USD \$3275  
NY Institute of Finance -    9:00am - 4:30pm    Wed Thu Fri  
Midtown  
Instructor(s):[William Addiss; ]

### Targeted Audience

Junior portfolio managers, money managers, research analysts, client services staff, consultants, individual and institutional investors, private bankers and financial advisers, research staff members of pension boards and plan sponsors.

### Special Offer

Clients who register for this course will receive a complimentary 6 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process and are limited to one per client. For questions about your subscriptions call 800-628-8088 or email [uscirculation@ft.com](mailto:uscirculation@ft.com). US and Canada enrollees only.

### Advance Preparation

No advance preparation required.

### Prerequisites

Financial calculator is required.

### Learning Objectives

Students will be able to:

- Identify the features/benefits and risks/rewards of the various products which constitute the marketplace
- Understand the dynamic nature of the yield curve and its implications on portfolio management
- Describe Repo and Reverse Repo in fixed income portfolio management
- Explain the concept of Duration as a measurement of volatility and the management of that risk
- Manage risks in a fixed income portfolio, including: Interest Rate Risk; Credit Risk; Re-investment Risk; Rollover Risk
- Apply passive and active portfolio management techniques, such as: Barbells; Duration Plays; Horizon Trading; Laddering
- Discuss the fundamentals of hedging using: Cash Market Techniques; Interest Rate Swaps; Credit Default Swaps

## Alumni Comments

*"Instructor had strong background and good presentation skills"*

*"Very well focused and comprehensive, giving a full picture on fixed income securities"*

## Follow-Up Courses

Equity Portfolio Management  
Global Trader Simulation - 4 Day  
Securities Analysis - Day

**Level:** Basic

**CPE Credits:** 21.5

**Instructional Method:** Group-Live

## Detailed Outline

### Day 1. Introduction: Overview of the Fixed Income Marketplace

#### The Capital Markets: The Big Five

- Stocks and Bonds: How They Differ
- A Brief History of Bonds
- Size and Complexity of the World Bond Market

#### Bond Math

- The Concept of Present Value
- The Bond Price Equation
- Three Types of Yield: Coupon, Current, Yield to Maturity (YTM)

### Day 2 The Participants: Issuers and Instruments

#### Treasuries

- The Benchmark
- Bills, Notes, Bonds
- Their purpose
- How issued

#### Corporates

- Capital Structure: Equity vs. Debt
- Conventional Debt
- High Yield Securities: "Junk Bonds"
- Michael Millken and Drexel

### **How Safe Are Bonds ?**

- Risks in Fixed Income Investing
- Credit
- Interest Rate
- Reinvestment
- Liquidity
- Call
- Are Treasury Securities risk-free?

### **A Dealer Market**

- Auction vs. Dealer Market
  - How Bonds Are Traded
  - Primary and Secondary Market
  - Issues of Transparency
- Case: The Viaticus Fund (Reading: Bonds: Risky, Arcane, But Essential)*

- Hybrids: Convertibles, Warrants, Debentures

*Reading: "Burgers and Bonds"*

### **Municipals**

- Why They Exist
- Revenue and General Obligation
- Tax Exempt Features
- The Concept of Public Good: A Video

### **Fixed Income Mutual Funds**

*Reading: "The City of Skokie" (Case: Using Bonds in a 401K. Film: "The Trillion Dollar Bet")*

### **Securitized Products**

- Mortgage Backed Securities
- Collateralized Mortgage Obligations
- Asset Backed Securities

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## **Day 3. The Investors: Institutions and Individuals**

### **Constructing a Fixed Income Portfolio**

- Advantages for Individuals: Bonds vs. Bond Funds
- Advantages for Institutions: Active vs. Passive Strategies

### **The Yield Curve**

- Why Is It Important ?
- Its Shape
- Theories
- How Is It Used?

### **Bond Math II**

- Realized Compound Yield: Beyond YTM
- Duration: What and Why?
- Convexity: What Is It?
- Dissecting a Zero Coupon Bond: Pricing Off the Curve

### **Some Strategies**

- Buy and Hold
- Bullets and Barbells
- Butterflies
- Ladders
- Immunization
- Hedging

### **Types of Diversification**

- By Sector
- By Quality
- By Maturity or Duration

### **Bringing It All Together**

- The Portfolio Manager's Art
  - Importance of Asset Allocation
  - Funding Liabilities: Pension Fund Assumptions
  - Asset Liability Management (ALM)
  - The Balanced Fund Approach
- Case 2: A Look at an Institutional Portfolio*

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.