Portfolio Management Academy

Portfolio managers around the world face greater challenges than ever before. Conventional asset markets - money markets, fixed income and equities - continue to be buffeted by frequent shifts from 'risk on' to 'risk off' driven by sovereign debt concerns and the weakness in developed world growth. Although emerging economies have much stronger fundamentals, they have been deeply affected by such turbulence. At the same time, doubts about the merits of new financial instruments and techniques remain.

Meanwhile, the basis of modern portfolio theory has been brought into question. For some Portfolio Managers, this has led to a renewed emphasis on security selection; some have looked to new methods of portfolio construction, and others have turned to the findings of behavioral finance in a search for a better understanding of portfolio construction.

In this five day Portfolio Management Academy, we address these current issues facing portfolio managers around the globe. The Academy is suitable for fund managers and trainee fund managers, seeking a broader perspective on their day-to-day investment decisions.

Targeted Audience

Portfolio Managers, Investment Managers, Private Bankers, Plan Sponsors, Research Analysts, Fund Trustees, Pension Funds, Investment Advisors, Treasury Staff, Corporate Managers, Fixed Income Analysts, Equity Analysts, Credit Analysts, Hedge Fund Managers

Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com plus a copy of "Stocks for the Long Run" by Jeremy J. Siegel.

Advance Preparation

No advance preparation required.

Prerequisites

Basic understanding of financial products and Excel. Students must bring their own laptops to class. A financial calculator is required.

Learning Objectives

Students will be able to:

. Have a firm grounding in portfolio management techniques

. Understand the latest thinking on portfolio construction

. Develop an understanding of alternative approaches to portfolio construction and their merits

. Be able to understand and interpret the range of performance measurement and attribution measures that are currently used

Level: Advanced

CPE Credits: 36.0

Instructional Method: Group-Live

Detailed Outline

Day 1 - Asset Returns in Perspective

Historical evidence on asset market returns
. Review of the historic evidence on asset market returns
. Returns from equities, bonds, bills, inflation and commodities

Boom and bust in asset markets
. From tulips to dot com, from the South Sea Company to the SIV - a review of booms and busts in asset markets
. Explaining boom and bust - animal spirits, Hyman Minsky and the Greenspan Put

The equity risk premium

Day 2 - The Tools of Modern Portfolio Theory

Measuring Return
. Not as easy as it sounds!
. Comparison of arithmetic and geometric returns; time weighted and money weighted returns
. GIPS requirements

Measuring risk: A single asset
. Standard deviation: its uses and abuses
. VAR models
. Financial market risks in crisis situations

. Evidence on the size of the risk premium
. Ex post and ex ante views on the equity risk premium

Selection of investment strategies
. Value versus Growth Stocks
. Domestic versus Foreign
. Small versus Large Cap

Portfolio construction simulation workshop
. An Excel-based workshop looking at economic and market scenarios and prospective returns from asset classes in the coming year.

Measuring risk: Multiple assets
. Correlation and covariance
. Systematic and unsystematic risk

Markowitz approach to asset allocation
. Deriving an efficient frontier
. Using Markowitz optimization techniques to derive portfolios

Issues arising from the mean variance model
. Forward-looking rather than historic risk and return assessment
. Over-allocation to alternative assets
. Dealing with a wide range of investments
. Shrinking the covariance matrix
. Dealing with variable correlations, especially in financial crises
. Review of the Black Litterman model

Alternative rules for asset allocation
. Graham and Dodd selection criteria
. Focus investing
. The Kelly Optimization Model
. Rules based on prospective real returns
. Rules based on dividend yield

Day 3 - Performance Evaluation Measures

Overview of Performance Measures
. Use of peer groups
. The importance of benchmarks
. Quantitative techniques using return and risk

Day 4 - Insights from Behavioral Finance

Key findings
. Loss aversion
. Anchoring and reference dependence

. Post modern portfolio theory measures

Quantitative measures
. Sharpe measure
. Treynor measure
. Jensen's Alpha: measuring it properly
. Tracking error and information ratio
. Downside deviation and Sortino ratio

Performance attribution measures
. Manager style & risk
. Performance attribution systems

Manager selection
. How to select an external manager
. When to fire an external manager

Excel (TM) based exercises
. An Excel based workshop will be used to demonstrate the construction and interpretation of the performance measures discussed during the day
. All the major performance measures will be investigated in detail

. Framing and mental accounting
. Over and under reaction to news
. Market inefficiencies

Loss aversion
. Evidence on loss aversion
. Investor behavior when losses are involved
. Contrast with the mean variance approach to risk and return
. Quantifying the extent of loss aversion
. Loss aversion and the explanation of the equity risk premium

Anchoring and reference dependence
. Judging gains and losses relative to a reference value
. Investor holding periods when gains and losses are involved
. Impact of key dates and reference levels
. The anchoring effects of stock market indices

Framing and mental accounting
. The effect of framing on financial decisions or how do you ask he question will have an impact on the answer you get!
. Segregation of financial decisions: the difficulty of viewing the overall portfolio

Over and under reaction news
. Reasons for over and under reaction
. The representativeness heuristic

Market inefficiencies

. Some key market inefficiencies identified by behavioral finance
. Momentum Investing

Client profiling and asset selection
. Profiling tools and their help in designing portfolio structure
. Developing structured products and total retrn solutions for private banking clients
. Applying risk reduction and return enhancement opportunities and strategies
. New approaches to client relationship management

Day 5 - Putting it all together

Review of asset classes and investment strategies
. Matching asset classes and investment strategies
. Liability Driven Investment
. Enhanced indexing
. Fundamental indexing
. 130/30
. Hedge Fund Strategies
. Private Equity
. Real Estate/Infrastructure
. Commodities
. Other Alternatives - win, stamps, etc.
The final day of the Academy will provide the opportunity to discuss in depth all of the products discussed. Delegates will have ample opportunity to investigate more closely their specific needs and requirements in an informal environment with the Course Director.

Course conclusions

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