

Module 5

6.5.1 Investment & Portfolio Management

Module title	Investment & Portfolio Management
Module NFQ level (only if an NFQ level can be demonstrated)	9
Module number/reference	PGDAF05
Parent programme(s)	Post Graduate Diploma in Accounting and Financial Services
Stage of parent programme	
Semester (semester1/semester2 if applicable)	Semester 2
Module credit units	ECTS
Module credit number of units	10
List the teaching and learning modes	Lectures, Tutorials, Guided blended learning, Self and Peer-directed learning.
Entry requirements (statement of knowledge, skill and competence)	This is an <i>ab initio</i> module, though students will have met the minimum entry requirements and RPL criteria for the parent programme.
Pre-requisite module titles	N/A
Co-requisite module titles	N/A
Is this a capstone module? (Yes or No)	No
Specification of the qualifications (academic, pedagogical and professional/occupational) and experience required of staff (staff includes workplace personnel who are responsible for learners such as apprentices, trainees and learners in clinical placements)	The lecturer for this module is required to have a level 9 qualification in Finance/Investment or a cognate discipline, relevant industry experience, as well as a track record of teaching in a higher education institution.
Maximum number of learners per centre (or instance of the module)	40.
Duration of the module	One Academic Semester, 12 Weeks Teaching.
Average (over the duration of the module) of the contact hours per week	6
Module-specific physical resources and support required per centre (or instance of the module)	One classroom with capacity of 40 and a number of smaller classrooms for tutorials.

Analysis of required learning effort										
Effort while in contact with staff										
Classroom and demonstrations		Mentoring and small-group tutoring		Other (specify)		Directed e-learning (hours)	Independent learning (hours)	Other hours (specify)	Work-based learning hours of learning effort	Total effort (hours)
Hours	Minimum ratio teacher/learner	Hours	Minimum ratio teacher/learner	Hours	Minimum ratio teacher/learner					
48	1:40	24	1:20				178			250
Allocation of marks (within the module)										
				Continuous assessment	Supervised project	Proctored practical examination	Proctored written examination	Total		
Percentage contribution				50%			50%	100%		

6.5.2 Module aims and objectives

This module covers the field of investment. It describes the main participants, their objectives and constraints, and the major investment markets. The module covers investment strategies for bonds, equities, and structured products including the use of derivatives in managing risk. Portfolio optimisation and asset allocation are covered, as well as how to measure portfolio performance. Ethical investment, the role of taxation, and behavioural investment biases are also explored in this module. By the end of the module a learner will be able to evaluate individual securities, investment strategies and portfolio performance in the context of investor objectives, constraints and behavioural biases.

OBJECTIVES

To successfully complete this module, the learner must be able to:

- Demonstrate a systematic knowledge of investment objectives and constraints
- Articulate a critical understanding of the investment market and its participants
- Display a systematic understanding of managing bond and equity portfolios

- Interpret and synthesise alternative asset classes, including currency
- Utilise advanced financial methodologies in the use of derivatives in investment management.
- Demonstrate a clear understanding of asset allocation
- Articulate a critical understanding of the evaluation of portfolios (mutual funds, pension funds and other institutionally managed funds)
- Demonstrate a systematic knowledge of international diversification; investing in emerging markets
- Interpret and synthesise behavioural finance

6.5.3 Minimum intended module learning outcomes

On the successful completion of this module, learners should be able to:

- MIMLO 5.1.** Articulate a critical understanding of how to value financial securities including bonds equities and derivatives and to be aware of investment objectives and the constraints of different types of investors.
- MIMLO 5.2.** Demonstrate a systematic knowledge of the trade-off between risk and return for securities and portfolios and demonstrate an understanding of the different approaches to asset allocation
- MIMLO 5.3.** Demonstrate and explain an understanding of structured products, that is, combinations of securities and derivatives which deliver a particular risk /return combination. Utilise, where applicable, advanced financial methodologies in relation to the above
- MIMLO 5.4.** Demonstrate a systematic understanding and knowledge of the various risks inherent in investment and derivatives and other products to hedge (mitigate) such risks

6.5.4 Module content, organisation and structure

Indicative Syllabus:

1. The Investment Background:

The Investment Setting, Measures of Return & Risk, Determinants of Required Rates of Return, Relationship Between Risk & Return

The Asset Allocation Decision, Individual Investor Life-Cycle, The Portfolio Management Process, Policy Statements need and construction, The Importance of Asset Allocation

Selecting Investments in a Global Market, The Case for Global investments, Global Investment Choices, Historical Risk>Returns On Alternative Investments

2. Development in Investment Theory

Efficient Capital Markets, Should Capital Markets Be Efficient, Alternative Efficient Market Hypotheses, Test & Results of Efficient Market Hypotheses, Behavioural Finance, Implications of Efficient Capital Markets

Introduction to Portfolio Management, Some Background Assumptions, Markowitz Portfolio Theory, ERR, Variance of Returns, A Three- Asset Portfolio, The Efficient Frontier.

Introduction to Asset Pricing Models, Capital Theory an Overview, The Capital Asset Pricing Model, Differential Borrowing & Lending Rates, Transaction Costs, Homogeneous Expectations & Planning Periods. Additional Empirical Tests of CAPM.

Multi Factor Models of Risk & Return, Arbitrage Pricing Theory, Multi Factor Models & Risk Estimation, Estimating Risk in a Multi Factor Setting.

3. Valuation Principles & Practices

Analysis of Financial Statements, Major Financial Statements, Analysis of Financial Ratios, Computation of Financial Ratios, Evaluating Internal Liquidity, Evaluating Operating Performance, Risk Analysis, Analysis of Growth Potential, The Quality of Financial Statements, The Value of Financial Statement Analysis

Introduction to Security Valuation, Why a Three-Step Valuation Process, Theory of Valuation, Valuation of Alternative Investments,

4. Analysis & Management of Common Stocks

Macro Analysis and Micro Valuation of the stock market, Macro Market Analysis, Micro Valuation, Valuation Using the Multiplier Approach, Estimated Expected Earnings Per Share, Estimating the Stock Market Earnings Multiplier

Industry Analysis, The Business Cycle & Industry Sectors, Structural Economic Changes & Alternative Industries, Evaluating the Industry Life-Cycle, Analysis of Industry Competition, Estimating Industry Rates of Return, The Relative Valuation Approach, Other Relative Valuation Ratios.

Company Analysis and Stock Valuation, Company Analysis v Stock Valuation, Company Analysis, Estimating Intrinsic Value, Estimating Company Earnings Per Share, Estimating Company Earnings Multipliers, Additional Measures of Relative Value, Analysis of Growth Companies, Measures of Value Added, Global Companies & Stock Analysis.

Technical Analysis, Underlying Assumptions of Technical Analysis, Advantages of and Challenges to Technical Analysis, Technical Trading Rules and Indicators, Technical Analysis of Foreign Markets, Technical Analysis of Bond Markets

Equity Portfolio Management Strategies, An Overview of Passive Equity Portfolio Management Strategies, An Overview of Active Equity Portfolio Management Strategies, Value v Growth Investing, An Overview of Style Analysis, Asset Allocation Strategies.

5. Analysis & Management of Bonds

Bond Fundamentals, Basic Features of a Bond, The Global Bond Market Structure, Alternative Bond Issues, Obtaining Information on Bond Prices

Analysis and Valuation of Bonds, The Fundamentals of Bond Valuation, Computing Bond Yields, Calculating Future Bond Prices, Bond Valuation Using Spot Rates, What Determines Interest Rates, Calculating Forward Rates from the Spot Rate Curve, Term Structure Theories, What Determines the Price Volatility for Bonds, Yield Spreads with Embedded Options.

Bond Portfolio Management Strategies, Passive Management Strategies, Active Management Strategies, Core Plus Management Strategies, Matched Funding Management Strategies, Contingent & Structured Management Strategies.

6. Derivative Security Analysis

Introduction to Derivative Market Securities, Overview of Derivative Markets, Investing with Derivative Securities, The Relationship Between Forward & Option Contracts, The Use of Derivatives in Portfolio Management.

Forward & Future Contracts, Overview of Forward & Futures Trading, Hedging with Forwards & Futures, Forward & Futures Contracts, Applications & Strategies.

Option Contracts, The Fundamentals of Option Valuation, European Style Valuation, American Style Valuation, Option Trading Strategies.

Swap Contracts, Convertible Securities & Other Embedded Derivatives, OTC Interest Rate Agreements, Swap Contracting Extensions, Warrants & Convertible Securities, Other Embedded Derivatives.

7. Specification & Evaluation of Asset Management

Professional Money Management, Private Management & Advisory Firms, Organisation & Management of Investment Companies,

Alternative Assets, Investing in Alternative Asset Classes,

Assets & Industry Ethics, Ethics & Regulation in The Professional Asset Management Industry

Evaluation of Portfolio Performance, Early Performance Measurement Techniques, Composite Portfolio Performance Measures, Factors that Affect Use of Performance Measures, Evaluation of Bond Portfolio Performance, Reporting Investment Performance.

6.5.5 Reading lists and other information resources

Title	Author	Publisher	Year
Essential:			
Fundamentals of Investing Global Edition, 14 th Ed.	Gitman, L.J., Joehnk, M., Smart, S.B., Zutter, C.J.	Pearson Publishing	2020
Investment Analysis & Portfolio Management, 11 th Ed.	Leeds, S., Reilly, F., Brown, K.	Cengage Publishing	2018
The Financial Times Guide to Investing: The Definitive Companion to Investment and the Financial Markets, 4 th Edition	Arnold, G.	FT Publishing	2020
Recommended:			
Global Investments: New International Edition, 6 th Ed.	Solnik, B., McLeavey, D.	Pearson Publishing	2014
Smarter Investing: Simple Decisions for Better Results, 3rd Ed.	Hale, T.	Prentice Hall	2013

REFERENCE:

Journals:

The Journal of Portfolio Management
The Journal of Investing
The Journal of Investment & Management
Portfolio Management Research
The Journal of World Investment & Trade

Web resources:

<https://www.moneywise.co.uk/>
<https://masterinvestor.co.uk/>
<https://www.asianinvestor.net/>
<https://www.investmentweek.co.uk/>