

MCM5202 SECURITY ANALYSIS AND PORTFOLIOMANAGEMENT

Course Code	MCM5202	Semester	II
Course Title	SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT		
Credits	4	Type	Core

This course shall have 3 lecture hours, 2 practicals, 1 tutorial.

This is a Skill based, employability based, and entrepreneurship skill based course.

Course Objective

Aims to introduce students to the stock market, stock options, and approaches to investing in the stock market and building stock portfolios. A basic introduction to portfolio theory and study various methods of modeling the risk associated with stock investment is also concentrated.

Learning Objectives

- To provide insight about the relationship of the risk and return and how risk should be measured to bring about a return.
- To familiarize the students with the fundamental and technical analysis of the diverse investment avenues
- To encourage students to apply stock and option valuation models in portfolio management.
- To enable the students with the advanced models and theories of security analysis and portfolio management necessary for understanding of risk and return framework for making sound investment decision

Course Structure

UNIT I:

Investment Concept, Types, Features and Functions: Concept of Investment- Types of Investment- Features of Real, Financial and Derivative investments- Features of Financial Investment instruments: Money & Capital Market investment instruments; Primary & Secondary Market Investment instruments; Fixed & Varying income investment instruments- Direct and Portfolio investments- Distinctions among Investment, Speculation and Gambling- Features of Ideal investments- Functions of Investment Management: Selecting, Scaling, Spreading, Spacing and Timing – Tax considerations and investment management-Sustainable investment.

Relevant one or two case studies.

UNIT II:

Investment Goals, Return & Risk Analyses: Investment Goals : Return, Risk, Growth, Control and Tax-related goals- Goal differences of investors – Matching the Goals and Investments- Allocation of funds to different investments- Constraints and Strategies- Return and Risk analysis: Concepts and Measures of Return: Current Return, Holding Period Return- Concepts and Measures of Risk: systematic and unsystematic risks and their measures: Standard deviation, Variance and Beta – Risk-Return Relationship- Relevant one or two case studies.

UNIT III:

Investment Valuation Measures and Approaches: Equity and Debt Valuation: Methods of valuation of Equity and Debt investments- Price and Value analysis – Cootner’s Hypothesis – Fundamental Analysis for investment evaluation – Economy, Industry and Company analysis- Technical Analysis: Concept and emphasis- Dow Theory- Important Charts Patterns – Lead and Lag Indicators – Price-Earnings- Relevant one or two case studies.

UNIT IV:

Investment Portfolios, Mutual Funds and Efficient Market Hypotheses: Portfolio Concept and Construction – Portfolio risk and Return – Measures of Portfolio Return and Risk- Efficient Portfolios–Portfolio Choice–Mutual funds: Concept, Need and Types- Random Walk Theory- Different Forms of Market Efficiency: Weak, Semi-strong and Strong forms and their tests- .Efficient Market Hypothesis, Forms of Market Efficiency, Random Walk Theory, Markowitz Model, Arbitrage Pricing Theory, Efficient Frontier, Factor Models: Sharpe’s Single index portfolio selection method, Prospect Theory, Capital Asset Pricing Model (CAPM), Security Market Line (SML) and Capital Market Line (CML)- Relevant one or two case studies

UNIT V:

Derivative Investments: Concept of Derivatives – Types - Options as a derivative investment- Terminologies in options market- Options types- Pay-off for holders and writers of call and put options contracts- Futures Market: Features of Futures contracts- Types of futures contracts – Uses – Swap contracts and their uses and types- Investment Environment, Investment Process, Investment, Speculation and Gambling, Classification of Investors, Investment Avenues, Diversification and Hedging, Factors Affecting Investment Decision, Contemporary issues in Investment Management. Relevant one or two case studies.

Practicals

- Prepare a report assessing the Weak, Semi-strong and Strong forms of market efficiency sectorwise.
- Analyse the swap contracts and their significance considering the company’s market value.

Skills

- Students will be able to critically evaluate different forms of market and their importance.
- Students mechanize the need for market efficiency.
- Students develop an understanding about the concept risk and return.

Learning/Course Outcomes

- Learn to compute historical and expected returns, as well as risk measures and comprehend the importance of the risk-return relationship.
- Define the objectives in constructing and managing a portfolio and learn to create an investment policy statement.
- Learn how the financial markets operate, how she can invest in different security types

matching her client's portfolio objectives and constraint.

- Understand the principles of modern portfolio theory and the effect of diversification on investment portfolios
- Explored to different avenues of investment and equipped with the knowledge of security analysis.
- Apply the concept of portfolio management for the better investment.

Books for Reference

1. Bhalla V.K., Investment Management, S.Chand
2. Bodie, Kane and Marcus, Investments
3. Chandra, P. (2017), Investment Analysis and Portfolio Management, Tata McGrawHill
4. Damodaran, A., Investment Valuation, John Wiley & Sons.
5. Donald E Fischer and Ronald J Jordan: Security Analysis and Portfolio Management: Pearson.
6. Donald E Fischer, Ronald J Jordan and A K Pradhan: Security Analysis and Portfolio Management: Pearson.
7. Elton, E. and Gruber, M, Modern Portfolio Theory and Investment Analysis, John Wiley and Sons.
8. Fischer D. E. (1995), Security Analysis and Portfolio Management, Pearson education.
9. Hull, J.C., Options, Futures and Other Derivatives, Prentice Hall.
10. Kevin S. (2015), Security Analysis and Portfolio Management, PHI Learning
11. Prasanna Chandra: Investment Analysis and Portfolio Management: McGrawHill.
12. Punithavathi Pandian: Security Analysis and Portfolio Management: Vikas Publications.
13. Ranganatham and Madhumathi Investment analysis and Portfolio Management
14. Ranganathan M. and Madhumathi R. (2012), Security Analysis and Portfolio Management, Pearson
15. Reilly, Frank K, and Brown, Keith C., Investment Analysis and Portfolio Management, Cengage Learning
16. S Kevin: Security Analysis and Portfolio Management: PHI
17. Sharpe William F, and Bailey Jeffery V, Alexander Gordon J, Investments, PHI Learning.
18. William Sharpe, Alexander and Bailey, Investments