

PORTFOLIO MANAGEMENT AND PERFORMANCE EVALUATION

Degree in Finance

Code: 12536

Main Scientific Area: Finance

Lecturer: Paulo Alexandre da Rocha Armada de Campos Leite

Language of Instruction: Portuguese

Regime: S2

Contact Hours: 45h Total Workload: 95h

ECTS: 5,0

Objectives

The syllabus focuses on five aspects that are the main objectives of the curricular unit:

- Define mutual funds and characterize the several types of mutual funds that exist;
- Understand the process of portfolio construction and build optimal investment portfolios;
- Identify and use several types of asset pricing models that relate risk and return and sustain its applicability;
- Identify, describe and implement active and passive portfolio management strategies;
- Evaluate the performance of investment portfolios.

Learning Outcomes

- Identify and characterize the different types of mutual funds and understand their taxation principles;
- Understand the relationship between risk and return and explain the contribute of Markowitz's portfolio theory to modern finance;
- Describe the several asset pricing models, know how to use them and identify their main limitations;
- Identify the several phases of the portfolio construction process and build optimal portfolios with two or more risky securities, as well as with a risk-free asset;
- Describe the evolution of portfolio performance evaluation measures, framing them in the context of portfolio theory and asset pricing models, and identify their main limitations;
- Evaluate the performance of various types of mutual funds (e.g., equity funds, bond funds, balanced funds).

Course Contents

Introduction

Mutual Funds

Portfolio Theory
Asset Pricing Models
Portfolio Management and Portfolio Performance Evaluation

Recommended Bibliography

BODIE, Zvi; KANE, Alex; MARCUS, Alan (2022), "Essentials of Investments", 12th edition, McGraw-Hill. NEVES, Maria Elisabete; QUELHAS, Ana Paula (2013), "Carteiras de Investimento – Gestão e Avaliação do Desempenho", Almedina.

Learning and Teaching Methods

After defining some introductory concepts (chapter 1), chapter 2 allows an understanding of the concept and structure of a mutual fund, as well as the main taxation aspects associated.

In chapter 3 we present Markowitz's portfolio theory, which allows an understanding of the risk-return trade off and the main principles of portfolio construction. Next, we explain the process of constructing optimal portfolios with risky assets and also with risk-free securities.

Chapter 4 presents asset pricing models and discusses its main limitations. Chapter 5 focuses on several aspects regarding portfolio management strategies and presents the main portfolio performance evaluation measures: the classical/traditional measures, multi-factor models, performance attribution models, selectivity and market timing measures and conditional performance evaluation models.

Assessment Methods

2 written tests (50% weight for the 1st test and 35% weight for the 2nd test); a practical group work (15% weight).

To pass the course students must obtain a minimum score of 7,0 in each test.

The use of mobile phones / smartphones / smartwatches is not allowed during tests / exams. During exam periods, the evaluation is made exclusively through an exam (100% weight).