

## INVESTMENT MANAGEMENT

Subject Code	: 14MBA FM305	IA Marks	: 50
No. of Lecture Hours / Week	: 04	Exam Hours	: 03
Total Number of Lecture Hours	: 56	Exam Marks	: 100
Practical Component	: 01 Hour / Week		

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### Objectives:

1. To develop a thorough understanding of process of investments.
2. To familiarize the students with the stock markets in India and abroad.
3. To provide conceptual insights into the valuation of securities.
4. To provide insight about the relationship of the risk and return and how risk should be measured to bring about a return according to the expectations of the investors.
5. To familiarise the students with the fundamental and technical analysis of the diverse investment avenues

### Module 1: (Theory) (6 Hours)

Investment: Attributes, Economic vs. Financial Investment, Investment and speculation, Features of a good investment, Investment Process.

Financial Instruments: Money Market Instruments, Capital Market Instruments, Derivatives.

### Module 2: (Theory) (6 Hours)

Securities Market: Primary Market - Factors to be considered to enter the primary market, Modes of raising funds, Secondary Market- Major Players in the secondary market, Functioning of Stock Exchanges, Trading and Settlement Procedures, Leading Stock Exchanges in India.

Stock Market Indicators- Types of stock market Indices, Indices of Indian Stock Exchanges.

### Module 3: (Theory & Problems) (8 Hours)

Risk and Return Concepts: Concept of Risk, Types of Risk- Systematic risk, Unsystematic risk, Calculation of Risk and returns.

Portfolio Risk and Return: Expected returns of a portfolio, Calculation of Portfolio Risk and Return, Portfolio with 2 assets, Portfolio with more than 2 assets.

### Module 4: (Theory & Problems) (8 Hours)

Valuation of securities: Bond- Bond features, Types of Bonds, Determinants of interest rates, Bond Management Strategies, Bond Valuation, Bond Duration.

PREFERENCE Shares- Concept, Features, Yields.

Equity shares- Concept, Valuation, Dividend Valuation models.

### Module 5: (10 Hours).

Macro-Economic and Industry Analysis: Fundamental analysis-EIC Frame Work, Global Economy, Domestic Economy, Business Cycles, Industry Analysis.

Company Analysis- Financial Statement Analysis, Ratio Analysis.

Technical Analysis – Concept, Theories- Dow Theory, Eliot wave theory. Charts-Types, Trend and Trend Reversal Patterns. Mathematical Indicators – Moving averages, ROC, RSI, Market Indicators. (Problems in company analysis & Technical analysis)

Market Efficiency and Behavioural Finance: Random walk and Efficient Market Hypothesis, Forms of Market Efficiency, Empirical test for different forms of market efficiency. Behavioural Finance – Interpretation, Biases and critiques. (Theory only)

**Module 6: (Theory & Problems) (10 Hours)**

Modern Portfolio Theory: Markowitz Model -Portfolio Selection, Opportunity set, Efficient Frontier. Beta Measurement and Sharpe Single Index Model

Capital Asset pricing model: Basic Assumptions, CAPM Equation, Security Market line, Extension of Capital Asset pricing Model - Capital market line, SML VS CML.

Arbitrage Pricing Theory: Arbitrage, Equation, Assumption, Equilibrium, APT and CAPM.

**Module 7: (Theory & Problems) (8 Hours)**

Portfolio Management: Diversification- Investment objectives, Risk Assessment, Selection of asset mix, Risk, Return and benefits from diversification.

Mutual Funds:, Mutual Fund types, Performance of Mutual Funds-NAV. Performance evaluation of Managed Portfolios- Treynor, Sharpe and Jensen Measures

Portfolio Management Strategies: Active and Passive Portfolio Management strategy.

Portfolio Revision: – Formula Plans-Rupee Cost Averaging

(QUESTION PAPER- 50% Problems, 50% Theory)

**Practical Components:**

1. A Student is expected to trade in stocks. It involves an investment of a virtual amount of Rs.10 lakhs in a diversified portfolio and manage the portfolio. At the end of the Semester the Net worth is to be assessed and marks may be given (to beat an index).
2. Students should study the functioning of stock exchange.
3. Students should study of the stock market pages from business press and present their observations
4. Students can do
  - a. Macro Economic Analysis for the Indian economy.
  - b. Industry Analysis for Specific Sectors.
  - c. Company Analysis for select companies.
  - d. Practice Technical Analysis
5. Students can study the mutual funds schemes available in the market and do their Performance evaluation.

**RECOMMENDED BOOKS:**

1. Investment Analysis and Portfolio management – Prasanna Chandra, 3/e,TMH, 2010.
2. Investments – ZviBodie, Kane, Marcus & Mohanty, 8/e, TMH, 2010.
3. Investment Management – Bhalla V. K, 17/e, S.Chand, 2011.
4. Security Analysis & Portfolio Management – Fisher and Jordan, 6/e, Pearson, 2011.
5. Security Analysis & Portfolio Management – Punithavathy Pandian, 2/e, Vikas, 2005.
6. Investment Management – Preethi Singh, 17/e, Himalaya Publishing House, 2010.
7. Security Analysis & Portfolio Management- Kevin S, 10/e, PHI, 2011.
8. Investment Analysis & Portfolio Management– Reilly, 8/e, Cengage Learning.
9. Investments: Principles and Concepts – Charles P. Jones, 11/e, Wiley, 2010.

**REFERENCE BOOKS:**

1. Fundamentals of Investment – Alexander, Sharpe, Bailey, 3/e, PHI, 2001.

2. Security Analysis & Portfolio Management – Nagarajan K & Jayabal G , 1/e, New Age international, 2011.
3. Investment – An A to Z Guide, Philip Ryland, 1/e, Viva Publishers, 2010.
4. Guide to Investment Strategy-Peter Stanyer, 2/e, Viva Publishers, 2010.
5. Security Analysis & Portfolio Management – Sayesh N. Bhat , 1/e, Biztantra, 2011.
6. Security Analysis & Portfolio Management– DhaneshKhatri , Macmillan , 1/e, 2010.
7. Security Analysis & Portfolio Management – Avadhani V. A, HPH.