**3.4.1. (F): Investment Management**

**Unit – I: Investments:**

Concept; Real vs. Financial assets; Investment decision process; Sources of investment information;

Investment vs. Speculation; Factors to be considered in investment decision-Liquidity,

Return, Risk, Maturity, Safety, Tax and Inflation. The concept and measurement of return-realized and expected return. Ex-ante and ex-post returns. The concept of risk. Sources and types of risk.

Measurement of risk-Range, Standard Deviation and Co-Efficient of Variation. Risk-return trade-off.

Risk premium and risk aversion. Approaches to investment analysis-Fundamental Analysis;

Technical Analysis**;** Efficient Market Hypothesis, Behavioural Finance and heuristic driven biases.

**Unit – II: Fixed Income Securities - Analysis, Valuation and Management**:

Features and types of debt instruments, Bond indenture, factors affecting bond yield. Bond yield measurement-Current yield, holding period return, YTM, AYTM and YTC. Bond valuation:

Capitalization of income method, Bond-price theorems, Valuation of compulsorily / optionally convertible bonds, Valuation of deep discount bonds. Bond duration, Macaulay’s duration and modified Macaulay’s duration. bond convexity, Considerations in managing a bond portfolio, term structure of interest rates, risk structure of interest rates. Managing Bond Portfolio: Bond immunization, active and passive bond portfolio management strategies.

**Unit – III: Common Stocks - Analysis and Valuation:**

Basic Features of Common Stock, Approaches to valuation–Balance sheet model, dividend capitalization models; earnings capitalization models; Price-Earnings multiplier approach and capital asset pricing model, Free Cash flow model, relative valuation using comparables-P/E,P/BV, P/S; Security Market Indexes, their uses; computational procedure of Sensex and Nifty.

**Unit – IV: Portfolio Theory:**

Concept of portfolio. Portfolio return and risk. Harry Markowitz’s Portfolio theory, Construction of minimum risk portfolio, the single-index model. Capital market theory: Introduction of risk-free asset, Capital Market Line, Separation theorem. Capital asset pricing model (CAPM): Security Market Line. Identifying over-priced and under-priced securities. Arbitrage pricing theory (APT):

The Law of one price, two factor arbitrage pricing, Equilibrium risk-return relations. A synthesis of CAPM and APT.

**Unit – V: Portfolio Evaluation:**

Performance measures-Sharpe’s reward to variability index, Treynor’s reward to volatility index, Jensen’s differential index, Fama’s decomposition of returns. Mutual funds: Genesis, features, types and schemes. NAVs, costs, loads and return of mutual funds, Problems and prospects in India, Regulation of mutual funds and investor’s protection in India.

**Suggested Books:**

1. Alexander. G.J, Sharpe. W.F and Bailey. J.V, “Fundamentals of Investments”, PHI, 3rd Ed.

2. Zvi Bodie, Alex Kane, Marcus.A.J, Pitabas Mohanty, “Investments”, TMH, 8th Ed.

3. Prasanna Chandra, “Investment Analysis and Portfolio Management”, TMH, 3rd Ed.

4. Charles.P.Jones, “Investments: Analysis and Management”, John Wiley &Sons, Inc. 9th Ed.

5. Francis. J.C. & Taylor, R.W., “Theory and Problems of Investments”. Schaum’s Outline Series,

McGraw Hill

6. Herbert. B. Mayo, “Investments: an Introduction”, Thomson – South Western. 9th Ed.

7. Peter L. Bernstein and Aswath Damodaran, “Investment Management”,Wiley Frontiers in

Finance.

8. Dhanesh Khatri, “Security Analysis and Portfolio Management”, 2010, Macmillan Publishers.

9. Sudhindra Bhat, “Security Analysis and Portfolio Management”, 2009, Excel Books.