

## **Security Analysis And Portfolio Management**

### ***Course Content:***

#### **1. Risk And Return**

Simple determination of stock market price using time value of money- simple one period and multi period case.

Return on common stock under uncertainty, for a single stock Expected Return, Variance of Return, Concept of Probability Distribution of Returns

Co-movement of two Assets returns, Measuring of Covariance definition and Simple Numerical Example, Correlation Coefficient

Two asset portfolio case, expected return and variance of returns of a Two asset Portfolio Simple Numerical Example and Graphical Illustration

Diversification of Risk, Systematic and Unsystematic risk

#### **2. Modern Portfolios Theory**

General N-asset Portfolio Problem, Markowitz Model: Objectives Function and constraints, Meaning of Efficient Frontier / Set , Concept of CML (Capital Market Line), Concept of Market Portfolios, Risk Free rate, Borrowing and Lending rates.

#### **3. Sharp's Single Index or Market Model**

How Asset Returns move with the Market

#### **4. Capital Asset Pricing Model**

Statement of CAPM

Slope of security Market Line (SML)

Properties of any asset on the line

Assumptions and some empirical evidence of CAPM

Arbitrage pricing theory – Introduction

#### **5. Efficient Market Hypothesis (EMH)**

Random walk theory

Weak, Semi-Strong and Strong form

Empirically Evidence of EMH

Anomalies in the markets: Firm Size Effect, January Effect, Money Effect

## **6. Portfolio Performance measures**

Sharp Index

Treynor Index

Jensen s Measure

Empirical Test of Mutual Fund Performance & EMH

### ***Reference Text:***

1. Security Analysis and Portfolios Management (6th Edn.) By Donald Fische and Ronald Jordan, Prentice Hall of India ( 1995)
2. Securities Analysis and Portfolio Management, Prasanna Chandra, Tata-McGraw