WILMINGTON UNIVERSITY
COLLEGE OF BUSINESS
BASIC COURSE INFORMATION

COURSE TITLE: Portfolio Theory

COURSE NUMBER: MBA 7293

I. RATIONALE:

This course builds on concepts studied in MBA 7292. Portfolio theory begins by introducing an overview of market and portfolio theory perspectives. MBA students study the principals of modern portfolio theory and calculate the benefits of diversification by creating a theoretically optimal asset mix for a hypothetical investor. MBA finance students must learn the mechanism and merits of active investment strategies, and are equipped with detailed methods of measuring and evaluating investment performance.

II. MAJOR INSTRUCTIONAL GOALS:

GOAL A:
Students will learn, discuss, explain the basic principles of modern portfolio theory and apply these principles to a range of debt and equity portfolios.

Learning Outcomes: The student will:

A-1 Identify various security types and be able to apply modern portfolio theory in a broad range of practical investment situations.
A-2 Describe the many tools and processes used by investors for managing their portfolios.
A-3 Explain the importance of securities analysis and the importance of financial ratios in evaluating debt and equity security investments.
A-4 Research, analyze and evaluate corporate financial statements.
A-5 Comprehend the fundamentals of securities analysis and risk, municipal securities and investment banking.

GOAL B:
Students will apply techniques for valuing equity and understand the importance of economic and industry analysis. Students will understand the implications of capital market efficiency for security selection styles such as technical and fundamental analysis.

Learning Outcomes: The student will:

B-1 Apply modern portfolio theory as a sound method for many investors to establish a disciplined approach to investing.
B-2 Evaluate portfolio performance using Sharpe, Information ratio, and Teynor/Jenson models of portfolio evaluation.

B-3 Describe the process for establishing an optimal or efficient portfolio using historical measures for portfolio return, portfolio risk, and correlation coefficients.

B-4 Develop an overall investment strategy that seeks to construct an optimal portfolio by considering the relationship between risk and return as measured by alpha, beta, and $r^2$.

B-5 Investigate assumptions when making asset allocation decisions based on asset classes. When making these asset allocation decisions, it is assumed that each asset class is diversified sufficiently to eliminate specific or non-market risk.

B-6 Evaluate bonds as an investment alternative and examine corporate and municipal bond portfolio management strategies.

GOAL C:
Students will understand the basic characteristics of options and futures contracts, apply pricing models and appreciate the role of these derivatives as risk management tools and have increased generic skills in problem solving applications.

Learning Outcomes: The student will:

C-1 Describe and differentiate between the various types of options and options strategies.

C-2 Comprehend the fundamentals of and calculate margin values on both short and long securities positions.

C-3 Describe the many tools and processes used by investors for managing their portfolios from an options perspective.

C-4 Develop an overall investment strategy that seeks an optimal portfolio by considering the relationship between risk and return for derivative instruments.

C-5 Apply modern portfolio theory to establish a disciplined approach to investing from an options perspective.