



Fundamentals of Investment Management

Program Description: This course provides a broad overview of critical elements in the investment process; reviewing basic financial instruments and their characteristics, aspects of portfolio construction and quality control as well as forecasting risk and return. Suitable for junior to intermediate investment professionals or stakeholders in the investment that are not investment professionals but require a top-down overview. The methodology of this course is application oriented, leaving room for discussions and participant questions.

Target Audience: junior investment professionals, investment committee members, senior management, relationships and sales professionals.

Materials: Participants will receive a binder with the slides presented and access to spreadsheets containing example calculations for all models and concepts discussed.

The content of this program can be combined with content from other programs for customized **inhouse training** purposes. Please contact email@andreassteiner.net for details.

Information relating to **scheduling, course venues and pricing** for the public courses is available on www.andreassteiner.net/consulting

Day One

Welcome and Introduction

The Investment Mandate

- Investment Objective
- Investment Strategy & Benchmark
- Risk Tolerance, Correlations and Loss
- Eligible Instrument Universe
- Diversification Constraints
- Example: Relative vs. Absolute Return Mandates

Overview of Asset Classes & Instruments

- Cash: Deposits, CD, CP, Bills
- Government Cash Bonds, Futures & Options
- Stock/Common Equity & Stock Options
- Corporate Bonds & Derivatives: Vanilla, Convertibles, CDS
- Stock Index EFTs,
- Private Equity, Real Estate REIT



- Commodity ETFs, Indices & Futures
- Active ETF, Exchange Traded Products

Lunch

Asset Pricing Models: CAPM & APT

- Opportunity Set & Efficient Frontier
- CAPM, APT & Multi-Factor Models
- Factor Analysis & Principal Component Analysis
- Case Study: Factor Identification

Diversification: Eggs, Baskets, Umbrellas & Ice Cream

- Diversifiable & Non-Diversifiable Risk
- Effect of Asset Correlations & Volatility on Portfolio Volatility
- Stability of the Variance-Covariance Matrix
- Diversification by Geography & Asset Class

Day Two

Forecasting Asset Class Returns

- Valuation Ratios: Price/Earnings, Reverse Yield Ratio, Earnings Yield Ratio
- Equity Risk Premium
- Dividend Discount Model

Strategic Asset Allocation & Portfolio Construction

- Estimating the long-term Variance-Covariance Matrix
- Portfolio Optimisation: Markowitz
- Incorporating Higher Moments: CVaR, Drawdown
- Constraints, Estimation Error and Other Practitioner Issues
- Identifying the Optimal Portfolio
- Examples: Balanced, Endowment Models & Core-Satellite

Lunch

Bond Analysis and Portfolio Management

- Fixed-Income Securities – general features of bonds, Government bonds, Agency bond, Corporate bonds; Convertible bonds; Asset-/Mortgage-backed securities
- Bond Analytics – Discounting the expected cashflow (coupons, repayment), yield to maturity; price/ytm relationship



- Yield Measures and Forward Rates – Sources of return, Traditional yield measures, Yield spread measures; Forward rates
- Measuring Interest Rate Risk
- Fixed-Income Portfolio Strategies – Selecting the Benchmark, Portfolio parameters, Duration and Yield curve, Volatility, International Corporate Bonds

Day Three

Corporate Credit Strategies

- Investment Grade: Yield Surfaces & Comparables
- High Yield Fixed Income: Bond/Equity Hybrids
- Using CDS for Tactical Credit Exposure & Hedging

Tactical Asset Allocation

- Augmenting Strategic Returns with Tactical Alpha
- Tactical Investment Horizon Equilibrium Breakdown & Crowd Behaviour
- Variety of Approaches: Long/Short Gamma, Fundamental/Technical, Systematic/Discretionary
- Tactical Investment Strategies: Trend following, Pattern Recognition, Global Macro, CPPI

Session 10: Derivative Strategies

- Instruments: Listed Futures & Options
- Asset Classes: Global Stock Indices, Fixed Income, FX, Commodities
- Using Futures to Implement Directional TAA
- Refining Implementation of TAA through Options Strategies

Lunch

Monitoring & Benchmarking

- Identifying Suitable Benchmarks
- Peer Group Analysis
- Sources of Returns: Stock Selection, Asset Allocation, Market Timing
- Monitoring Investment Guidelines, Constraints and Limits
- Style Drift
- The Role of the Independent Consultant

Summary & Conclusions