

New York University Stern School of Business

B40.3176.00 Saturday 1:00-4:00pm

Topics in Investments: Dynamic Strategies and Risk Management

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Office Hours: 10:30am-noon Saturday & by appt.

Course Description:

This course will focus on dynamic investment strategies that are intended to enhance portfolio performance and adhere to the risk management requirements of institutional clients. The broad themes in this course include dynamic asset allocation, performance measurement, beta replication, portable alpha, and portfolio insurance. The prerequisite for this course is *B01.2311 Foundations of Finance*. It is assumed that students have a basic understanding of portfolio theory, capital asset pricing models, bond valuation, option and futures pricing.

This course will include a combination of lectures and case discussions. The assigned readings and lecture material are all relevant to analyzing and solving the cases. 50% of a student's grade will be a function of individual performance (3 short case write-ups and class participation – voluntary and cold calls). The remaining 50% of the grade will be based on group/team work (3 comprehensive group case write-ups and an evaluation by your team members). No in-class written exams/tests. **Attendance is mandatory** for the following reasons. This course is designed to cumulate knowledge and apply it in subsequent classes and case applications. Students are certainly capable and expected to read and absorb the assigned materials on their own. The role of the Professor in class is to provide the bridge from theory to practice with investment technology and information about the business environment that is not readily available in textbooks. Furthermore, it should be obvious that a student cannot obtain a class participation grade without being in class.

AR in the outline below refers to assigned readings or presentation materials. HBS cases are from the Harvard Business School and B&Y Cases are from Michael A. Berry and S. David Young, *Managing Investments: A Case Approach*, Dryden Press, 1990 (BY).

Course Outline

- I. July 3 Introduction

AR, Portfolio Management with Stock Index Futures
AR, Optimal Market-Timing and Security Selection Decisions with Index Futures Contracts
AR, Portfolio Construction: Alphas, Betas, and Macro Factors

- II. July 10 Performance Measurement

B&Y Case: Down-Town Trust (A)
B&Y Case: Illini Trust Company

- III. July 17 Portfolio Insurance

B&Y Case: T. David Brown & Sons

AR, The Mechanics of Portfolio Insurance, JPM Spring 1988
AR, Simplifying Portfolio Insurance, JPM Fall 1987

- IV. July 24 **HBS Case: Leyland O'Brien Rubinstein Associates Incorporated: Portfolio Insurance**

- V. July 31 Portable Alpha Strategies

HBS Case: Smith Breeden Assoc: The Equity Plus Fund (A&B)

AR, New Opportunities in Global Equity Portfolio Management

- VI. August 7 Pension Asset Allocation and Risk Management Strategies

HBS Case: Pension Management at General Motors

AR, Managing Pension Liability Credit Risk: Maintaining a Total Portfolio Perspective, JPM Fall 2009
AR, Simplifying Portfolio Insurance for Corporate Pension Plans, JPM Summer 1988