



Course and Examination Fact Sheet: Spring Semester 2018

8,160: Asset Management and Mutual Funds

ECTS credits: 4

Overview examination/s

(binding regulations see below)

Decentral - Written examination (75%, 90 mins.)

Decentral - examination paper written at home (individual) (10%)

Decentral - Group examination paper (all given the same grades) (15%)

Attached courses

Timetable -- Language -- Lecturer

[8,160,1.00 Asset Management and Mutual Funds](#) -- Englisch -- [Orlov Vitaly](#)

Course information

Course prerequisites

The course requires good knowledge of basic macroeconomic principles, the completion of "Financial Markets" course is required. The completion of "Europe Compact: Quantitative Portfolio Management", and "Financial Modelling Workshop: Asset Allocation" would be beneficial, but not required. This course does not have many prerequisites and there is not an expectation that students will have prior professional or academic work in this field. A useful resource for students with little exposure to any of these topics is the blogs on [seeking alpha](#), other economic and financial blogs, and market commentary.

Course content

This course provides an in-depth coverage of the fund management industry and its operations in an interactive format. It is intended to familiarize you with the basic concepts related to mutual funds. The first part of the course provides the fundamentals, explaining what mutual/hedge funds are and how they work. Having set out fundamentals, the course further covers topics like fund costs, the role of managers, other types of funds and other technicalities of asset management industry. The class describes some of the main strategies used by mutual/hedge funds and proprietary traders and provides a methodology to analyze them. In class and through exercises, the strategies are illustrated using real data. The class also covers institutional issues related to how trading works, liquidity, margin requirements, risk management, and performance measurement. To be more specific, we will discuss the main strategies used by mutual and/or hedge funds in individual equity markets (discretionary equity investing, short selling, quantitative equity strategies), in tactical asset allocation of equity indices, currencies, fixed-income, and commodities (global macro, managed futures), and in relative-value arbitrage strategies (fixed income arbitrage, convertible bond arbitrage, event driven investments). To analyze these active investment strategies, the class applies tools for performance measurement, backtesting and regression analysis, managing transaction costs, market liquidity risk, funding a strategy, margin requirements, risk management, drawdown control, and portfolio construction. Also, the class discusses the economics underlying these strategies, why certain strategies might work and why others might not.



Course structure

Lectures

This course is given during the spring term of 2018. This course will have 10 lectures and will cover the following topics:

1. Mutual funds: Nature, Regulation and Costs
 - The nature of mutual funds
 - Mutual fund regulation and issues
 - Mutual fund fees and expenses

(Group exercise sets are distributed)
2. Efficient markets, Fund types and a Behavioral Look at the Fund Management Industry
 - Market efficiency
 - Actively managed vs. Index funds
 - A behavioral look at: Mutual fund choice, Performance-Flow relationship, 'Hot hand fallacy', Fund managers, and Fund name changes.
3. Mutual Fund Managers
 - Active share, tracking error and other measures of active management
 - Managerial ownership and mutual fund risk taking
 - Impact of contractual incentives on the performance of mutual funds
4. Mutual Funds at the Crossroads
 - The challenge to mutual fund stewardship
 - The design of the mutual fund of the future
 - Mutual funds vs. ETFs vs. Hedge funds
 - Performance of active investors. Does the skill exist?

(Exercise set 1 is distributed)
5. Fundamentals of Active Management (Part A)
 - Performance measurement: Alpha and Beta, Adjusting for More than the Market, Risk-Reward Ratios, Monitoring P&L in Real Time, High Water Mark and Drawdown, Performance attribution

(Exercise set 1 is due, Exercise set 2 is distributed)
6. Fundamentals of Active Management (Part B)
 - Profiting in Efficiently Inefficient markets: Finding Alpha, Sources of Alpha, Information, Market and funding liquidity, Demand pressure.
 - Backtesting Trading Strategies

(Exercise set 2 is due, Exercise set 3 is distributed)
7. Portfolio Construction and Risk Management
 - Portfolio construction and optimization, Measures of Risk, Risk management and drawdown control
 - Trading and Financing a Strategy
 - (Exercise set 3 is due, Exercise set 4 is distributed)
8. Introduction to Equity Valuation and Investing
 - Recap equity valuation methods
 - Discretionary Equity Investing

(Exercise set 4 is due)
9. Equity Valuation and Investing (cont'd)
 - Briefly on short selling oriented HF strategies
 - Quantitative equity investing
10. Alternative investment strategies
 - Briefly on global macro Investing and trend-following Investing
 - Arbitrage Pricing and Trading
 - Event-Driven Investments
 - Grades for individual exercises are revealed



- Feedback session and Q&A about upcoming exam

Exercises

The class has exercises for each of the main topics. To truly understand the material in this class, students are encouraged to work on these exercises. The exercise sets are of two types:

1. Individual exercises (4 sets in total). Each set consists of 3-5 short problems. These exercise sets recap the material covered during the previous lecture and have to be submitted before the next class starts.
2. Group exercise sets. There will be 8 cases distributed during the class. To facilitate learning, students will form groups of 3-5 students during the first class. Each group must choose **any 3 out of 8** cases. Solutions must be submitted before the preassigned date after the last class. Each case illustrates one of the most important strategies covered in classes 7-10. All members of each group should contribute equally to solutions. All students are expected and should feel free to participate in the in-class discussion. Students are expected to have a prior knowledge of (at least) MS Excel.

Course literature

The extended course structure with pre-assigned literature for each topic as well as some of the readings themselves will be available on the course website in digital format only. It will be no hard copy handouts available. On the reading list, all required readings are marked with an asterisk (*) and pages are pre-specified. All other readings are optional.

Textbook:

- *Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined*, Lasse H. Pedersen (*strongly recommended)
- *Mutual Funds: Portfolio Structures, Analysis, Management, and Stewardship*, John A. Haslem (this textbook is optional)

Additional course information

This course is designed for graduate students in finance and economics; however participants of other master programs are welcome. This course could also be helpful for a wider range of professionals working in risk management, consulting, banking, financial regulation and other professionals who need to understand the key risk issues of the fund management industry.

Examination information

Examination sub part/s

1. Examination sub part (1/3)

Examination time and form

Decentral - Written examination (75%, 90 mins.)

Remark

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Examination-aid rule

Extended Closed Book

The use of aids is limited; any additional aids permitted are exhaustively listed under "Supplementary aids". Basically, the following is applicable:

- At such examinations, all the pocket calculators of the Texas Instruments TI-30 series and mono- or bilingual dictionaries (no subject-specific dictionaries) without hand-written notes are admissible. Any other pocket calculator models and any electronic dictionaries are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as notebooks, tablets, PDAs, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids

Students may bring a calculator fulfilling the rules for electronic aids during examinations.

Examination languages

Question language: English

Answer language: English

2. Examination sub part (2/3)

Examination time and form

Decentral - examination paper written at home (individual) (10%)

Remark

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Examination-aid rule

Term papers

- Term papers must be written without anyone else's help and in accordance with the known quotation standards, and they must contain a declaration of authorship.
- The documentation of sources (quotations, bibliography) has to be done throughout and consistently in accordance with the APA or MLA standards. The indications of the sources of information taken over verbatim or in paraphrase (quotations) must be integrated into the text in accordance with the precepts of the applicable quotation standard, while informative and bibliographical notes must be added as footnotes (recommendations and standards can be found, for example, in METZGER, C. (2015), *Lern- und Arbeitsstrategien* (11th ed., 4th printing). Aarau: Sauerländer).
- For any work written at the HSG, the indication of the page numbers both according to the MLA and the APA standard is never optional.
- Where there are no page numbers in sources, precise references must be provided in a different way: titles of chapters or sections, section numbers, acts, scenes, verses, etc.
- For papers in law, the legal standard is recommended (by way of example, cf. FORSTMOSER, P., OGOREK R. et SCHINDLER B. (2014, *Juristisches Arbeiten: Eine Anleitung für Studierende* (5. Auflage), Zürich: Schulthess, or the recommendations of the Law School).

Supplementary aids

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Examination languages

Question language: English

Answer language: English

3. Examination sub part (3/3)

Examination time and form

Decentral - Group examination paper (all given the same grades) (15%)

Remark



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Examination-aid rule

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Supplementary aids

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Examination languages

Question language: English

Answer language: English

Examination content

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Examination relevant literature

The content of the reading list is compulsory literature for the exam in addition to slides and takeaways from the in-class discussions and exercises.



Please note

We would like to point out to you that this fact sheet has absolute priority over other information such as StudyNet, faculty members' personal databases, information provided in lectures, etc.

When will the fact sheets become binding?

- Information about courses and examination time (central/decentral and grading form): from the start of the bidding process on 25 January 2018
- Information about decentral examinations (examination-aid rule, examination content, examination relevant literature): after the 4th semester week on 19 March 2018
- Information about central examinations (examination-aid rule, examination content, examination relevant literature): from the start of the enrolment period for the examinations on 09 April 2018

Please look at the fact sheet once more after these deadlines have expired.