



Course and Examination Fact Sheet: Spring Semester 2021

8,160: Asset Management and Mutual Funds

ECTS credits: 4

Overview examination/s

(binding regulations see below)

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

Examination time: term time

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

Examination time: term time

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

Examination time: term time

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.

Learning objectives

The main goal of this course is to provide an in-depth coverage of the fund management industry and its operations in an interactive format. It is intended to familiarize students with the concepts related to mutual funds. The class describes some of the main strategies used by mutual/hedge funds and proprietary traders and provides a methodology to analyze them. Upon the course completion students will learn about main strategies used by mutual and/or hedge funds in individual equity markets (and more). The class participants will learn how to apply tools for performance measurement, backtesting and regression analysis, managing transaction costs, market liquidity risk, etc.

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

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. These exercise sets recap the material covered during one of the previous lectures.
2. Group exercise sets. There will be 8 cases distributed during the class. To facilitate learning, students in my class form 8 groups during the first class. Each group must choose 3 out of 8 cases. Each case illustrates one of the most important strategies. All members of each group should contribute equally to solutions.

This course 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
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?
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
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 Online quiz
7. Portfolio Construction and Risk Management Portfolio construction and optimization, Measures of Risk, Risk management and drawdown control Trading and Financing a Strategy
8. Introduction to Equity Valuation and Investing Recap equity valuation methods Discretionary Equity Investing
9. Equity Valuation and Investing (cont'd) Briefly on short selling oriented HF strategies, Quantitative equity investing
10. Alternative investment strategies

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*

Mutual Funds: Portfolio Structures, Analysis, Management, and Stewardship, John A. Haslem (this textbook is optional)

Additional course information

In the case of the President's Board having to implement new directives due to the SARS-CoV-2 pandemic in SpS2021, the course information listed above will be changed as follows:

The course is conducted online via the platform ZOOM;

The recordings of the course are available for 30 days;

The lecturer informs via e-mail on the changed implementation modalities of the course;

Exam format will be changed to an online test in Canvas.

Examination information

Examination sub part/s



1. Examination sub part (1/3)

Examination time and form

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

Examination time: term time

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, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids

none

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%)

Examination time: term time

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 which is a published template in StudentWeb.

The documentation of sources (quotations, bibliography) has to be done throughout and consistently in accordance with the chosen citation standard such as APA or MLA.

For papers in law, the legal standard is recommended (by way of example, cf. FORSTMOSER, P., OGOREK R. et SCHINDLER B., *Juristisches Arbeiten: Eine Anleitung für Studierende*, newest edition respectively, or according to the recommendations of the Law School).

The indications of the sources of information taken over verbatim or in paraphrase (quotations) must be integrated into texts 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., *Lern- und Arbeitsstrategien*, newest edition respectively).

For any work written at the HSG, the indication of the page numbers is mandatory independent of the chosen citation standard. 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.

Supplementary aids

none



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%)

Examination time: term time

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

The exam covers all topics covered during the course.

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

Please note that only this fact sheet and the examination schedule published at the time of bidding are binding and takes precedence over other information, such as information on StudyNet (Canvas), on lecturers' websites and information in lectures etc.

Any references and links to third-party content within the fact sheet are only of a supplementary, informative nature and lie outside the area of responsibility of the University of St.Gallen.

Documents and materials are only relevant for central examinations if they are available by the end of the lecture period (CW21) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 12 are relevant for testing.

Binding nature of the fact sheets:

- Course information as well as examination date (organised centrally/decentrally) and form of examination: from bidding start in CW 04 (Thursday, 28 January 2021);
- Examination information (regulations on aids, examination contents, examination literature) for decentralised examinations: in CW 12 (Monday, 22 March 2021);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 12 (Monday, 22 March 2021);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before the end of the registration period in CW 14 (Thursday, 8 April 2021).