

STUDY SESSION

19

Portfolio Management (2)

This study session introduces the portfolio planning and construction process, including the development of an investment policy statement (IPS). A discussion of risk management, including the various types and measures of risk, follows, and a risk management framework is provided. Technical analysis, a set of tools that uses asset price, trading volume, and other similar data for making investment decisions, is then examined. The session concludes with coverage on how financial technology (fintech) is impacting areas within the investment industry, such as investment analysis, automated advice, and risk management.

READING ASSIGNMENTS

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| Reading 54 | Basics of Portfolio Planning and Construction by Alistair Byrne, PhD, CFA, and Frank E. Smudde, MSc, CFA |
| Reading 55 | Introduction to Risk Management by Don M. Chance, PhD, CFA, and Michael E. Edleson, PhD, CFA |
| Reading 56 | Technical Analysis by Barry M. Sine and Robert A. Strong, PhD, CFA |
| Reading 57 | Fintech in Investment Management by Robert Kissell, PhD, and Barbara J. Mack |

LEARNING OUTCOMES**READING 54. BASICS OF PORTFOLIO PLANNING AND CONSTRUCTION**

The candidate should be able to:

- a** describe the reasons for a written investment policy statement (IPS);
- b** describe the major components of an IPS;
- c** describe risk and return objectives and how they may be developed for a client;
- d** distinguish between the willingness and the ability (capacity) to take risk in analyzing an investor's financial risk tolerance;
- e** describe the investment constraints of liquidity, time horizon, tax concerns, legal and regulatory factors, and unique circumstances and their implications for the choice of portfolio assets;
- f** explain the specification of asset classes in relation to asset allocation;
- g** describe the principles of portfolio construction and the role of asset allocation in relation to the IPS;
- h** describe how environmental, social, and governance (ESG) considerations may be integrated into portfolio planning and construction.

READING 55. INTRODUCTION TO RISK MANAGEMENT

The candidate should be able to:

- a** define risk management;
- b** describe features of a risk management framework;
- c** define risk governance and describe elements of effective risk governance;
- d** explain how risk tolerance affects risk management;
- e** describe risk budgeting and its role in risk governance;
- f** identify financial and non-financial sources of risk and describe how they may interact;
- g** describe methods for measuring and modifying risk exposures and factors to consider in choosing among the methods.

READING 56. TECHNICAL ANALYSIS

The candidate should be able to:

- a** explain principles of technical analysis, its applications, and its underlying assumptions;
- b** describe the construction of different types of technical analysis charts and interpret them;
- c** explain uses of trend, support, resistance lines, and change in polarity;
- d** describe common chart patterns;
- e** describe common technical analysis indicators (price-based, momentum oscillators, sentiment, and flow of funds);
- f** explain how technical analysts use cycles;

- g** describe the key tenets of Elliott Wave Theory and the importance of Fibonacci numbers;
- h** describe intermarket analysis as it relates to technical analysis and asset allocation.

READING 57. FINTECH IN INVESTMENT MANAGEMENT

The candidate should be able to:

- a** describe “fintech;”
- b** describe Big Data, artificial intelligence, and machine learning;
- c** describe fintech applications to investment management;
- d** describe financial applications of distributed ledger technology.