

PORTFOLIO AND INVESTMENTS

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Course Outline

An investment is the current commitment of money or other resources in the expectation of reaping future benefits. An investment has therefore the key attribute of sacrificing something of value now, expecting to benefit from that sacrifice later.

This 24-hour course will help you become an informed practitioner of investments. We will focus on stocks, bonds and investment funds, although some of the concepts are relevant for all asset classes, including derivatives for instance. The course will provide you with background in the organization of various securities markets and the principles of portfolio construction.

Regulation is a key issue in portfolio construction. It defines the general rules regarding risk profile and by consequence portfolio construction. We will discuss those rules and analyze solutions to manage the objectives and constraints.

Since the bank crisis, the asset management industry is evolving rapidly with significant changes on the way of doing business. A general description of the new framework (UCIT rules) and its impact on portfolio management will be given.

The course includes two case studies on

- *Profiling*: where each participant will have to make his own MiFID profile on the basis of the tools developed at Bank Degroof Petercam. On that basis, Participants will discuss the main issues re profiling on different aspects: legal, technical, organizational, financial, and other points of view. Regulatory/legal issues re opening accounts, mandates, and the like will also be considered and internal control features will be discussed.
- *Investment decision process*: on the basis of current financial market conditions, Participants will have to take investment decisions for a middle of the road portfolio, and defend their own views based on facts and figures, with the group of Participants as a whole acting as an investment decision committee.

At the end of the course, Participants will be able to:

- understand the key drivers of the main asset categories, their contribution in a diversified portfolio and the way they are managed
- understand how the private banking industry is organized to profile private customers, manage portfolios and report on performances with the links with all the stakeholders (internal and external)
- understand the regulatory framework in which the private banking industry is evolving

Course Structure

- I. Investment environment**
- II. Description and valuation of main asset classes and financial instruments**
 - a. Asset classes and financial instruments
 - b. Bonds : prices, yields and term structure
 - c. Equities : valuation models
 - d. Mutual funds
 - e. Derivatives : options & futures
 - f. Private Equity
- III. Risk Return and historical record**
- IV. Portfolio construction**
 - a. Capital asset allocation to risky assets
 - b. Optimal risky portfolios
 - c. Index models
 - d. The Capital Asset Pricing Model
 - e. Multi factor models
 - f. International diversification
- V. Profiling**
 - a. Framework
 - b. Case study : your own profile
- VI. Information processing**
 - a. Efficient market hypothesis
 - b. Behavioral finance and technical analysis
 - c. Empirical evidence on security returns
- VII. Managing portfolio**
 - a. Managing bond portfolio
 - b. Theory of active portfolio management
- VIII. Investment decision process**
 - a. Macroeconomic and industry analysis
 - b. Case study : investment decision process
- IX. Portfolio performance**
 - a. Evaluation
 - b. Example of reporting
- X. How securities are traded**