

Course title: MANAGEMENT OF INSTITUTIONAL INVESTORS

Lecturers	Full Prof. Marina Klačmer Čalopa, Ph.D. Ivana Đunđek Kokotec, Ph.D. Karolina Kokot, M.Econ.
Language of instruction	Croatian and English
Study level	Master
Study programme	Economics of Entrepreneurship
Semester	2 nd (summer)
ECTS	5
Goal	This course aims to acquaint students with the characteristics, operations, and reasons for the expansion of institutional investors (investment funds, pension funds, insurance companies). Each group of institutional investors has its specifics, which students will get to know through the teaching material. Through a theoretical and practical approach (guest lecturers from each financial sector), students acquire fundamental knowledge and get acquainted with the techniques used in the business and management of institutional investors. Knowing the business of institutional investors is extremely important for future entrepreneurs and managers because it simplifies the process of transferring financial resources.
General and specific learning outcomes	<p>Learning outcomes / Level of the Study program</p> <ol style="list-style-type: none"> 1. Identify and analyze the characteristics of institutional investors and their role in small, medium, and large companies. 2. Explain the role of institutional investors in implementing the practice of corporate governance and their importance for the development of small, medium, and large companies. 3. Apply knowledge of the financial market and financial indicators to manage institutional investors and their portfolios successfully. <p>Learning outcomes / Level of the Course</p> <ol style="list-style-type: none"> 1. Understand and critically discuss the role of institutional investors in the financial market. 2. Explain the interaction between institutional investors and businesses. 3. Identify and critically evaluate the risk in alternative sources of investment. 4. Discuss advantages and investments limitation in a specific form of the institutional investor. 5. Analyze and evaluate the institutional investor's return on investment in a particular form. 6. Apply investment methods and techniques with the aim of best allocating financial resources. 7. Present the acquired knowledge and results of the analyses of institutional investors to entrepreneurs and managers and experts from individual, specific financial sectors.

<p>Content</p>	<ol style="list-style-type: none"> 1. Institutional investors (2h) – Introduction to the course – goals and purpose of the course, literature, and students' obligations. Conceptual definition of institutional investors. Market trends. Classification of institutional investors and their characteristics. Comparative analysis of institutional investors in the Republic of Croatia and other post-transition countries. 2. Financial intermediation (2h) – banco-centric vs. market-centric financial systems. The need for financial intermediation. Transfer of financial resources from surplus to the deficit sector. Financial intermediation and its role. Classification of the financial intermediaries - depository institutions (banks), contractual savings institutions (pension funds, insurance companies), investment intermediaries (investment companies, investment funds). The economic function of financial intermediaries. 3. Institutional investors management (2h) – Financial system analysis. Structure of financial institutions. Alternative investment forms. Classification of investors into individual and institutional investors. Principal-agent problem, in terms of the agency theory in the context of institutional investors. Foreign institutional investors and their impact on the ownership structure of the small, medium, and large companies. 4. Investment funds (4h) – definition of the investment fund. Development of investment funds globally and in the Republic of Croatia and their perspectives for the future. Privatization of investment funds and their successors. Changes in the legal regulations of investment funds activities in the Republic of Croatia. Institutions of supervision of investment funds in the Republic of Croatia (The Croatian Financial Services Supervisory Agency (Hanfa); Zagreb stock Exchange (closed-end type of funds). The role of deposit bank. Classification of funds – open and closed types of investment funds. Essential characteristics of each type of investment fund. Investment fund management companies and their organization (UCITS, AIF). Fund managers and their roles. Advantages and disadvantages of investing in investment funds. Investment strategy. Investment fund asset structure. Calculation of net asset value (NAV) of the investment funds. 5. Classification of investment funds (2h) – comparative analysis of open-end (equity, mixed, bond, and money market funds) and closed-end investment funds in the Republic of Croatia and the world. Investment fund analysis in transition and post-transition counties. Differences in the legal framework for managing the institutional investors in the Republic of Croatia and worldwide. Investment strategies in the particular type of fund and allocation of fund assets. Investment funds costs and fees. Investment fund selection from the aspect of the investors. (small investor or institution investor). 6. Real estate funds and venture capital funds (2h) – REIT. Analysis of REIT funds in the world and the Republic of Croatia. REIT investment structure. Interaction between business and venture capital funds. Venture capital. Venture capital is a driving force of economic development. Creating preconditions for the inclusion of venture capital. Venture capital funds in the Republic of Croatia. The legal framework of REIT and venture capital funds.
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	<p>7. Hedge and index funds (2h) – introduction to modern investment instruments with portfolio diversification – options, futures. Hedge funds investment goals and strategies—analysis of the hedge funds in the US and EU. Prerequisites need to develop hedge funds in the Republic of Croatia – development of the capital market and its infrastructure. Index funds investment goals and strategies. ETFs. Analysis of index funds in the world and the Republic of Croatia.</p> <p>8. Pension reform (2h) – development of the pension system through history. Pension reform in the Republic of Croatia and the world. Comparative analysis of pension reform in the Republic of Croatia and other post-transition countries. Social security. Institutions in the Republic of Croatia are responsible for implementing pension reform and the pension system (Central Registry of Insured Persons (REGOS)). Pension insurance companies. Legislation on pension reform and the pension system in the Republic of Croatia.</p> <p>9. Pension funds (2h) – definition of pension funds. Classification of pension funds – mandatory and voluntary pension funds. Investment principles. Pension fund investment rules. Pension funds investment strategies. Membership in the pension fund. Analysis of pension funds in the Republic of Croatia according to the three-pillar pension system – pension form a second and third pillar. State of capitalized pension insurance. Pension fund supervision (The Croatian Financial Services Supervisory Agency (Hanfa)).</p> <p>10. Insurance companies (4h) – definition of insurance companies. Development of the insurance companies in the Republic of Croatia and the world. Comparative analysis of the insurance and its companies in the Republic of Croatia and other post-transitional counties. Purpose and types of insurance. Development of new insurance products and services. The insurance market in the US and EU. Insurance legislation in the Republic of Croatia. Insurance company's supervision (The Croatian Financial Services Supervisory Agency (Hanfa)). The importance of insurance companies in the financial sector. Profitability of insurance companies. Financial risks in the business of insurance companies. Insurance company's investment strategies. Changes in the business of the insurance companies.</p> <p>11. Investment banking (2h) – basics and history of investment banking. Definition of investment banking. Bank as an institutional investor. Analysis of the investment banks in the world. Investment banking operation – Initial public offering (IPO). Crises caused by investment banking activities – subprime mortgage crisis. Organization of banks in the Republic of Croatia – the existence of investment banks. Practice and activities of investment departments in the Croatian banks.</p> <p>12. Investment portfolio management (2h) – analysis of portfolio management theories – Markowitz Model, Capital Asset Valuation Model (CAPM), Arbitration Valuation Theory (APT), Post-modern Portfolio Management Theory – assumption and its elements. Macroeconomic impact on the investment portfolio structure.</p> <p>13. Guest lecturers from practice (2h) - Analysis of examples from practice.</p>
Exercises	Regular class attendance and active teaching, preparation of seminars and individual assignments, group work (team), participation in the work through the e-learning system (downloading assignments, storing seminar papers and individual assignments, etc.). As part of the exercises, students will be required to prepare a project task. They will have to analyze the observed financial sector, study the cost-effectiveness of establishing and managing the observed institutional investor, and

	propose investment policies and strategies and institutional investor development strategies.
Realization and examination	Regular monitoring of students at lectures and seminars, estimates of their seminar works and critical papers, testing thought the semester (2 colloquiums). The system for e-learning will be used to monitor the efficacy of students' work. The final evaluation of the teaching process and teachers will be done at the end of the semester. Students will be able to comment on the content, teaching methods, and literature for this course. Teachers will use the evaluation forms for improving their teaching process. The Universities' student survey will be used.
Related courses	<ol style="list-style-type: none"> 1. Financial Institutional and Markets 2. Corporate Finance 3. Personal Finance 4. Corporate Governance
Literature	<p>Kidwell, D.S.; Peterson R.L.; Blackwell D.W.; Whidbee, D.A.; Financial institutions, markets and money, John Wiley & Sons, Inc, England, 2003.</p> <p>Davis, D. P.; Steil, B.: Institutional Investors, Cambridge: MIT Press, 2001.</p>