



AFIN352

Applied Portfolio Management

S2 Day 2014

Applied Finance and Actuarial Studies

Contents

<u>General Information</u>	2
<u>Learning Outcomes</u>	3
<u>Assessment Tasks</u>	3
<u>Delivery and Resources</u>	6
<u>Unit Schedule</u>	6
<u>Learning and Teaching Activities</u>	7
<u>Policies and Procedures</u>	7
<u>Graduate Capabilities</u>	9
<u>Changes from Previous Offering</u>	11
<u>Research and Practice</u>	11
<u>Weekly Curriculum and Homework Schedule</u>	11
<u>Changes since First Published</u>	13

Disclaimer

Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

General Information

Unit convenor and teaching staff

Unit Convenor

Ryle Perera

ryle.perera@mq.edu.au

Contact via ryle.perera@mq.edu.au

E4A 229

Refer to iLearn

Administration

Mai Nguyen

mai.nguyen@mq.edu.au

Contact via Email

Refer to iLearn

Refer to iLearn

Angela Chow

angela.chow@mq.edu.au

Credit points

3

Prerequisites

39cp including (ACCG252 or AFIN252)

Corequisites

Co-badged status

Unit description

This unit provides students with the analytical skills and techniques required to effectively manage diversified portfolios of securities. The first section of the unit prepares students for asset allocation management and performance assessment of diversified portfolios. Section two reviews issues relating to the management of portfolios containing options, futures and other derivatives. After completing this unit students have greater knowledge for effective portfolio management and an increased awareness of potential practical problems in implementation. This unit aims to develop graduate capabilities in critical, analytical and integrative thinking about portfolio management; and increases the capability of graduates to exercise professional judgment.

Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

Learning Outcomes

On successful completion of this unit, you will be able to:

Understand the investment decision making processes from the perspective of the portfolio manager

Develop skills to apply the ideas of the Mean Variance Approach to Asset Allocation

Develop a fundamental understanding of basic asset allocation tools and progress to advanced topics, such as estimation of inputs etc.

Read and interpret current research in portfolio management and apply to project work

Assessment Tasks

Name	Weighting	Due
Class Participation	5%	Weeks 2-13
Class Test	15%	Week 8
Assignment	20%	Week 10
Final Examination	60%	University Examination Period

Class Participation

Due: **Weeks 2-13**

Weighting: **5%**

Each week you will be marked on your participation in problem solving activities as well as an oral component where you will be asked to critically analyze and discuss a tutorial question.

What is required to complete the unit satisfactorily

Regular participation in problem solving activities and class discussions as well as completion of homework assignments by the due date.

On successful completion you will be able to:

- Read and interpret current research in portfolio management and apply to project work

Class Test

Due: **Week 8**

Weighting: **15%**

Submission

The Class Test is scheduled to be held during regular lecture day and time in **Week 8 (week commencing 7th October, 2014)**. Refer to iLearn for further details (test venues will be posted closer to the class test date).

Total time available for the class test is 90 minutes. The class test is based on topics covered during lectures 1 to 6, inclusive. No dictionaries of any kind are allowed in the class test. Non-programmable calculators are allowed, provided that they are not capable of storing text.

Extension

No extensions will be granted. Students who do not sit the test will be awarded a mark of 0, except for cases in which an application for special consideration is made and approved. Students who have not completed this exam will be awarded a mark of zero for this task, except for cases in which an application for special consideration is made and approved. If approval is granted then you have to complete a supplementary class test during **week 10 commencing (20th October, 2014)**.

On successful completion you will be able to:

- Understand the investment decision making processes from the perspective of the portfolio manager
- Develop skills to apply the ideas of the Mean Variance Approach to Asset Allocation
- Develop a fundamental understanding of basic asset allocation tools and progress to advanced topics, such as estimation of inputs etc.

Assignment

Due: **Week 10**

Weighting: **20%**

The assignment question will be posted on iLearn in Lecture Week 3 (**commencing 18th August, 2014**). Students will be required to carry out research as a group (4-5 students) to meet the requirements of the assignment. These groups must be formed by Lecture Week 3. Groups must be composed of students within the same tutorial group. Tutors must be advised of the members of these groups by the end of Lecture Week 3.

Submission

The assignment must be submitted by each group in type written format (one for each group. No electronic submissions allowed) to BESS in **Lecture Week 10**.

Extension

No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Understand the investment decision making processes from the perspective of the portfolio manager
- Develop skills to apply the ideas of the Mean Variance Approach to Asset Allocation
- Develop a fundamental understanding of basic asset allocation tools and progress to advanced topics, such as estimation of inputs etc.
- Read and interpret current research in portfolio management and apply to project work

Final Examination

Due: **University Examination Period**

Weighting: **60%**

Examination conditions

The **final exam** is based on topics covered during lecture weeks 1 to 13, inclusive. Total time available for the final examination is 3 hours plus 10 minutes reading time. No dictionaries of any kind are allowed in the final examination. Non-programmable calculators are allowed, provided that they are not capable of storing text.

The University Examination period commences on 17th November 2014. You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations. <http://www.timetables.mq.edu.au/exam>

The University recognises that students may experience disruptions that adversely affect their academic performance in assessment activities. In case of an unavoidable and unexpected event or illness, an application for disruption to studies can be lodged. The Disruption to Studies Policy applies only to serious and unavoidable disruptions that arise after a study period has commenced. If your application is approved, a supplementary exam will be held after the formal exam.

Further information regarding supplementary exams, including dates, is available here:

http://students.mq.edu.au/student_admin/exams/disruption_to_studies/

What is required to complete the unit satisfactorily

To be eligible to pass this unit, a pass is required in the final examination.

On successful completion you will be able to:

- Understand the investment decision making processes from the perspective of the portfolio manager
- Develop skills to apply the ideas of the Mean Variance Approach to Asset Allocation
- Develop a fundamental understanding of basic asset allocation tools and progress to

advanced topics, such as estimation of inputs etc.

Delivery and Resources

Classes

- The weekly three hour class time for this unit consists of a two hour lecture and a one hour tutorial.
- The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

Prizes

Prizes for this unit (see).

http://www.businessandconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships

Required and Recommended Texts and/or Materials

- *The required textbook is 'Running Money: Professional Portfolio Management', Scott D. Stewart, Christopher D. Piros, Jeffrey C. Heisler, McGraw Hill, 2011*
- *For the last two weeks of the unit, the required textbook is 'Fundamentals of Futures and Options Markets', John C. Hull, Sirimon Treepongkaruna, Richard Heaney, David Pitt and David Colwell, Person, 2014. However relevant resources and chapters will be provided to you (No hard-copy is required to purchase)*
- These are available for purchase from the Macquarie University Co-op Bookshop, and a copy will be available in the closed reserve section of the Macquarie Library.

Technology Used and Required

Unit Web Page

- The web page for this unit can be found at: <http://ilearn.mq.edu.au>
- It is the responsibility of students to visit the unit site regularly. Course material is available on the learning management system (iLearn).
- Lecture notes, tutorial solutions, unit announcements, and other reference materials will be posed to this site throughout the semester.

Unit Schedule

Lecture Week	Lecture Topic
1 - (4 August)	Introduction to Topic

2 - (11 August)	Client Objectives for Diversified Portfolios
3 - (18 August)	Asset Allocation: The Mean Variance Framework
4 - (25 August)	The Investment Management Process
5 - (1 September)	Introduction to Equiility Portfolio Investing
6 - (8 September)	Equity Portfolio construction
7 - (15 September)	Fixed-Income Management
22 September - 6 October	Mid-semester recess
8 - (7 October)	*Class Test*
9 - (13 October)	Portfolio Management through Time
10 - (20 October)	Performance Measurement and Attribution
11 - (27 October)	Value at Risk
12 - (10 November)	Exotic Options and other non-standard Products
13 - (17 November)	Review

Learning and Teaching Activities

Lectures

Lectures

Tutorials

Tutorials

Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy http://mq.edu.au/policy/docs/academic_honesty/policy.html

Assessment Policy <http://mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy <http://mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Grievance Management Policy http://mq.edu.au/policy/docs/grievance_management/policy.html

Disruption to Studies Policy http://www.mq.edu.au/policy/docs/disruption_studies/policy.html *The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.*

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: https://students.mq.edu.au/support/student_conduct/

Further information regarding supplementary exams, including dates, is available here:

http://students.mq.edu.au/student_admin/exams/disruption_to_studies/

Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

Learning Skills

Learning Skills (mq.edu.au/learningskills) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

Student Enquiries

For all student enquiries, visit Student Connect at ask.mq.edu.au

IT Help

For help with University computer systems and technology, visit <http://informatics.mq.edu.au/help/>.

When using the University's IT, you must adhere to the [Acceptable Use Policy](#). The policy applies to all who connect to the MQ network including students.

Graduate Capabilities

Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

Learning outcomes

- Understand the investment decision making processes from the perspective of the portfolio manager
- Develop skills to apply the ideas of the Mean Variance Approach to Asset Allocation
- Develop a fundamental understanding of basic asset allocation tools and progress to advanced topics, such as estimation of inputs etc.
- Read and interpret current research in portfolio management and apply to project work

Assessment tasks

- Class Participation
- Class Test
- Assignment
- Final Examination

Critical, Analytical and Integrative Thinking

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

Learning outcomes

- Understand the investment decision making processes from the perspective of the portfolio manager
- Develop skills to apply the ideas of the Mean Variance Approach to Asset Allocation
- Develop a fundamental understanding of basic asset allocation tools and progress to

advanced topics, such as estimation of inputs etc.

- Read and interpret current research in portfolio management and apply to project work

Assessment tasks

- Class Participation
- Class Test
- Assignment
- Final Examination

Problem Solving and Research Capability

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

Learning outcomes

- Understand the investment decision making processes from the perspective of the portfolio manager
- Develop skills to apply the ideas of the Mean Variance Approach to Asset Allocation
- Develop a fundamental understanding of basic asset allocation tools and progress to advanced topics, such as estimation of inputs etc.
- Read and interpret current research in portfolio management and apply to project work

Assessment tasks

- Class Participation
- Class Test
- Assignment
- Final Examination

Effective Communication

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to read, listen, question, gather and evaluate information resources in a variety of formats, assess, write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:

Learning outcomes

- Understand the investment decision making processes from the perspective of the portfolio manager
- Read and interpret current research in portfolio management and apply to project work

Assessment tasks

- Class Participation
- Class Test
- Assignment
- Final Examination

Changes from Previous Offering

- Textbook has changed; only 1 book is required
- Option Pricing Theory will no longer be taught
- Change in administration and teaching staff

Research and Practice

- This unit gives you practice in applying research findings in your assignments
- This unit gives you opportunities to conduct your own research

Weekly Curriculum and Homework Schedule

Readings: **Lecture for week 1**

- Running Money Chapter 1

Assignment Questions:

- Ch. 1: 1, 2, & 5

Readings: **Lecture for week 2**

- Running Money Chapter 2

Assignment Questions:

- Ch: 2 : 1,2 & 3

Readings: **Lecture for week 3**

- Running Money Chapter 3

Assignment Questions:

- See lecture notes

Readings: **Lecture for week 4**

- Running Money Chapter 6

Assignment Questions:

- Ch. 6: 3 & 4 . See lecture notes for additional questions

Readings: **Lecture for week 5**

- Running Money Chapter 7

Assignment Questions:

- See lecture notes

Readings: **Lecture for week 6**

- Running Money Chapter 8

Assignment Questions:

- Ch. 8: 1 & 2

See lecture notes for additional questions

Readings: **Lecture for week 7**

- Running Money Chapter 9

Assignment Questions

- See lecture notes for questions

Readings: **Lecture for week 9**

- Running Money Chapter 12

Assignment Questions

- Ch. 12: 1,2,3,4,5&6

Readings: **Lecture for week 10**

- Running Money Chapter 13

Assignment Questions

- See lecture notes for questions

Readings: **Lecture for week 12**

- Hull et al. Chapter 20

Assignment Questions

- See lecture notes for additional questions

Readings: **Lecture for week 12**

- Hull et.al. Chapter 22

Assignment Questions

- See lecture notes for additional questions.

Review Lecture for week 13

- No new reading materials, revise lecture materials Weeks 1-12.

Changes since First Published

Date	Description
11/08/2014	Line deleted
06/08/2014	Portfolio Theory will be covered