AFIN818

Investments

S1 Evening 2014

Applied Finance and Actuarial Studies

Contents

General Information

Unit convenor and teaching staff
Unit Convenor
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Credit points
4

Prerequisites
ACST603 or AFIN858 or admission to MCom or MIntBus or MEc or MActPrac prior to 2011

Corequisites

Co-badged status

Unit description
This unit provides an introduction to the fundamental concepts of investment analysis and their practical application. With an international approach, topics include selecting asset types for specific objectives, bond and stock valuation, asset allocation, the risk-return tradeoff, portfolio management, behavioural biases in investment decisions, and fundamental versus technical analysis. The materials covered encompass practical techniques as well as intellectual and academic issues in investment management.

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:

Construct optimal portfolios applying the principles of modern portfolio theory.

Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.

Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.

Analyse bond prices and yields.

Characterise the implications of the market efficiency evidence on active portfolio management.

Assessment Tasks

Name	Weighting	Due
Class test	20%	Week 7
Final exam	50%	To be announced
Report	25%	Weeks 10,11 & 12
Class participation	5%	Weekly

Class test

Due: **Week 7**
Weighting: **20%**

The Class test will cover the topics studied during weeks 1 to 5 inclusive. The test will be held in class in week 7. There will be no supplementary test. The weight of the class test is 20% (or 0% for cases in which an application for special consideration is made and approved).

Students who do not sit for the class test will be awarded a mark of 0 for the class test, except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.

Final exam

Due: **To be announced**
Weighting: **50%**

The final exam will cover the topics studied throughout the semester. The final exam will be scheduled in the examination period. The weight of the final exam is 50% (or 75% for cases in which an application for special consideration is made and approved in relation to the mid-semester test).

On successful completion you will be able to:

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.
- Explain macroeconomic and industry analysis, equity valuation and financial statement

analysis.

- Analyse bond prices and yields.

- Characterise the implications of the market efficiency evidence on active portfolio management.

Report

Due: **Weeks 10,11 & 12**
Weighting: **25%**

The research report is completed in groups of 4 or 5 students to develop communication and collaboration skills. Each group will analyse stocks and their issuing firms in an industry sector and prepare an investment recommendation. Details of the research report will be announced in class and posted on iLearn.

The main research report (part B) is due on Friday May 30 (end of week 11). Part A and C of the assignment are due in class in weeks 10 and 12 respectively. No extensions will be granted. Students who have not submitted the research report prior to the deadline will be awarded a mark of 0 for the research report, except for cases in which an application for special consideration is made and approved.

On successful completion you will be able to:

- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.

- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.

- Characterise the implications of the market efficiency evidence on active portfolio management.

Class participation

Due: **Weekly**
Weighting: **5%**

Students are expected to read the chapters and articles in advance of class and to participate fully in all class discussions. In tutorials, students are expected to explain the approaches they took to answering the homework problems and ask questions to help improve understanding of the concepts.

On successful completion you will be able to:

- Construct optimal portfolios applying the principles of modern portfolio theory.

- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.

- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.
- Analyse bond prices and yields.
- Characterise the implications of the market efficiency evidence on active portfolio management.

Delivery and Resources

Required technology

Non-programmable calculator

Tutorial and lecture times

Students are required to enrol in one three-hour class per week and attend the class in which they are enrolled. These classes are scheduled as follows:

Monday, 3:00-6:00 p.m. in E5A 110

Tuesday, 6:00-9:00 p.m. in E5A 120

Thursday, 9:00- 12:00 noon in E5A 120

Learning and teaching strategy

Face-to-face

Classes will typically consist of a two-hour lecture followed by a one-hour tutorial. Lectures are used to set the scene and show how the topic fits into the overall unit of study aims. Tutorials are essential for helping you clarify any misunderstandings and apply concepts to more difficult problems. Participation is strongly encouraged for you to check your understanding of concepts.

Print

The textbook for the unit is Bodie, Z., Kane, A. and Marcus, A.J. (2014), *Investments*, 10th edition, McGraw-Hill (denoted BKM on the reading list). Textbook material will be supplemented by articles and handouts. Chapters from the textbook and specified articles should be read prior to attending the scheduled lecture on that topic. Homework problems will be assigned at the end of lectures and these should be completed before coming to class the following week. Important handouts can be downloaded from the unit's iLearn site.

Online

iLearn (https://ilearn.mq.edu.au) provides the main online learning support. It is essential that you log in at least twice per week to keep abreast of unit-wide announcements and use the resources to supplement your learning. Lecture slides are available by the Friday before each lecture for you to download from iLearn. Solutions to homework problems are made available online after the problems are discussed in class.

The multiple choice quizzes available with the textbook are a useful revision resource.

Changes since the last offering of this unit

Nil

Unit Schedule

Week	Commencing	Topic	Readings
1	March 3	Course Overview & The Investment Process	BKM Chapters 1, 2, 3
2	March 10	Risk Return & Historical data	BKM chapter 5
3	March 17	Preferences, risky assets and building portfolios	BKM chapter 6 & 7
4	March 24	Index Models	BKM chapter 8
5	March 31	CAPM and Extensions	BKM chapter 9
6	April 7	APT and Multifactor models	BKM chapter 10
		Mid semester break	
7	April 28	Mid-Semester Exam	
8	May 5	Industry Analysis & Financial Statement Analysis	BKM chapter 17 & 19
9	May 19	Equity securities	BKM chapter 18
10	May 19	Fixed Income Securities	BKM chapters 14 and 15
11	May 26	The EMH, behavioural finance and technical analysis	BKM chapters 11 & 12
12	June 2	Review	
13	June 9	Public Holiday (no lectures this week)	

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/

Supplementary exams for Faculty units in Session 2 2013 will be held between Tuesday 10th December and Friday 13th December 2013 (inclusive).

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

PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

Learning outcomes

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.
- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.
- Analyse bond prices and yields.
- Characterise the implications of the market efficiency evidence on active portfolio management.

Assessment tasks

- Class test
- Final exam
- Report

PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

Learning outcomes

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.
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Assessment tasks

- Final exam
- Report
- Class participation

PG - Effective Communication

Our postgraduates will be able to communicate effectively and convey their views to different social, cultural, and professional audiences. They will be able to use a variety of technologically supported media to communicate with empathy using a range of written, spoken or visual formats.

This graduate capability is supported by:

Learning outcomes

- Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.
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Assessment tasks

- Report
- Class participation

Research and Practice

This unit uses research from external sources (references will be given in lectures and tutorials and on the unit's iLearn site).

This unit gives you practice in applying research findings in the research report.