



# AFIN818

## Investments

S2 Evening 2014

*Applied Finance and Actuarial Studies*

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## General Information

Unit convenor and teaching staff

Unit convenor

Jennifer Gippel

[jennifer.gippel@mq.edu.au](mailto:jennifer.gippel@mq.edu.au)

by appointment only

Jennifer Gippel

[jennifer.gippel@mq.edu.au](mailto:jennifer.gippel@mq.edu.au)

Veronica Chen

[veronica.chen@mq.edu.au](mailto:veronica.chen@mq.edu.au)

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
<u>Class test</u>	20%	Week 7
<u>Final examination</u>	50%	To be announced
<u>Presentation</u>	15%	Weeks 5-11
<u>Case study/report</u>	15%	31 October 2014

### Class test

Due: **Week 7**

Weighting: **20%**

The mid-semester test will cover the topics studied during weeks 1 to 5 inclusive. The mid-semester test will be held in class in week 7. The weight of the mid-semester test is 20%.

Students who do not sit for the mid-semester test will be awarded a mark of 0 for the mid-semester 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 examination

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%.

The examination period in Session 2, 2014 is from Monday 17 November to Friday 5 December.

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.

## Presentation

Due: **Weeks 5-11**

Weighting: **15%**

Students will work on a case study in groups of four or five and present their findings to the class. Details of the case study will be announced in class and posted on iLearn.

Each group will make a fifteen-minute presentation during weeks 5 to 11 as scheduled by the lecturer. No extensions will be granted. Students who do not deliver their class presentation on the scheduled date will be awarded a mark of 0 for the class presentation, 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.
- 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.

## Case study/report

Due: **31 October 2014**

Weighting: **15%**

Each group will prepare a written report that addresses the issues raised in the case study.

The written report is due on 31 October 2014 at 5:00 p.m. No extensions will be granted.

Students who have not submitted the written report prior to the deadline will be awarded a mark of 0 for the written report, 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.
- 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 E4B 316

Wednesday, 12:00-3:00 p.m. in E4B 316

Wednesday, 6:00-9:00 p.m. in E4B 316

### 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	4 August	Introduction; Investment process	BKM chapters 1, 2 and 3
2	11 August	Risk and return	BKM chapter 5
3	18 August	Risk preferences and asset allocation	BKM chapters 6 and 7
4	25 August	Index models	BKM chapter 8
5	1 September	Capital asset pricing model; Arbitrage pricing theory	BKM chapters 9 and 10
6	8 September	Industry analysis	BKM chapter 17
7	15 September	Mid-semester test	
		Mid-semester break	
8	6 October	No class	
9	13 October	Financial statement analysis	BKM chapter 19
10	20 October	Equity securities	BKM chapter 18
11	27 October	Fixed income securities	BKM chapters 14 and 15
12	3 November	Market efficiency; Behavioural finance	BKM chapters 11 and 12
13	10 November	Review	

## 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](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](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](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/](https://students.mq.edu.au/support/student_conduct/)

### Supplementary Exams

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

[http://www.businessandconomics.mq.edu.au/current\\_students/undergraduate/how\\_do\\_i/special\\_consideration](http://www.businessandconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_consideration)

## 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](http://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](http://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 examination
- Case study/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.
- 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

- Final examination
- Presentation
- Case study/report

## 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

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

## Assessment tasks

- Presentation
- Case study/report

## 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 class presentation and written report.