AFIN250

Investments

S2 Day 2016

Dept of Applied Finance and Actuarial Studies

Contents

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General Information

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TBC

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Credit points
3

Prerequisites
(15cp including ((AFIN100 or AFIN102 or ACST152) and (ACCG100 or ACCG106) and (STAT150 or STAT170 or STAT171))) or ACST252

Corequisites

Co-badged status

Unit description
The investment industry has experienced rapid change over the past three decades. Many of these changes in the investment environment are discussed in this unit. An important theme of the unit is that developed markets are near-informational-efficient - that higher expected returns only come by bearing greater investment risk. Throughout the unit a modern portfolio theory approach is applied, focussing on the implications of efficient diversification, in providing a proper measurement of risk and the risk-return relationship. The asset allocation choice is also considered in depth, as it is a primary determinant of the risk-return profile of the investment portfolio. In summary, the unit introduces the principles of valuation as applied to a broad range of asset classes including models of equity valuation, debt valuation, commodities, private equity, and alternative investments such as distressed securities and real estate.

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.

Analyse bond prices and yields.

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

Formulate derivatives strategies to modify portfolio risk-return attributes.

General Assessment Information

The following apply to the class tests and the final examination:

- You are permitted ONE A4 page of paper containing reference material printed on both sides. The material may be handwritten, typed or both.
- Non-programmable calculators with no text storage/retrieval capacity permitted.
- Dictionaries are not permitted.
- For full marks, clear and complete working must be shown.

For all assessments:

- Assessment criteria for all assessment tasks will be provided on the unit iLearn site.
- All individual assessment results will be made available under Grades on the website. For the tests, class-level results, marking guide and feedback on common errors will also be available from the website.
- It is the responsibility of students to view their marks for each within-session assessment on iLearn within 20 working days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment marks (not including the final exam mark) will not be addressed.

Assessment Tasks

Name	Weighting	Due
Online quiz	10%	19 August 2016, 5:00 pm
Mid-semester test	30%	Week 7 in lecture

Name	Weighting	Due
Final examination	60%	University examination period

Online quiz

Due: **19 August 2016, 5:00 pm**
Weighting: **10%**

The online quiz will cover the topics studied during weeks 1 and 2.

Students who do not complete the online quiz will be awarded a mark of 0 for the online quiz, except for cases in which an application for disruption of studies is made and approved.

Please use the online quiz as an indicator of whether you are progressing satisfactorily in the unit. If you are having difficulties, please see the Unit Convenor and consider withdrawing before the census date on Friday of week 4.

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.

Mid-semester test

Due: **Week 7 in lecture**
Weighting: **30%**

The mid-semester test will cover the topics studied during weeks 1 to 6 inclusive.

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 disruption of studies 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: **University examination period**
Weighting: **60%**

The final exam will cover the topics studied throughout the semester. The final exam will be scheduled in the examination period.

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.
- Analyse bond prices and yields.
- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.
- Formulate derivatives strategies to modify portfolio risk-return attributes.

Delivery and Resources

Required technology

Non-programmable calculator

Tutorial and lecture times

Students are required to enrol in one two-hour lecture and one one-hour tutorial per week and attend the lecture and tutorial in which they are enrolled. See details from the timetable.

Learning and teaching strategy

Face-to-face

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 to further your understanding and apply concepts to more difficult problems. Participation is strongly encouraged for you to check your progress towards achieving the learning outcomes for the unit.

Print

The textbook for the unit is Bodie, Z., Kane, A. and Marcus, A.J. (2016), *Essentials of 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 the tutorial 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 the tutorial.

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

Unit Schedule

Week	Commencing	Topic	Readings
1	1 August	Introduction	BKM chapters 1 and 2
2	8 August	Investment vehicles	BKM chapters 3 and 4
3	15 August	Risk and return	BKM chapter 5
4	22 August	Efficient diversification	BKM chapter 6
5	29 August	Asset pricing	BKM chapter 7
6	5 September	Market efficiency	BKM chapters 8 and 9
7	12 September	Mid-semester test	
		Mid-semester break	
8	4 October	Fixed income securities	BKM chapters 10 and 11
9	10 October	Industry analysis	BKM chapter 12
10	17 October	Equity securities	BKM chapters 13 and 14
11	24 October	Options contracts	BKM chapters 15 and 16
12	31 October	Futures contracts	BKM chapter 17
13	7 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

New Assessment Policy in effect from Session 2 2016 http://mq.edu.au/policy/docs/assessment/policy_2016.html. For more information visit http://students.mq.edu.au/events/2016/07/19/new_assessment_policy_in_place_from_session_2/

Assessment Policy prior to Session 2 2016 http://mq.edu.au/policy/docs/assessment/policy.html

Grading Policy prior to Session 2 2016 http://mq.edu.au/policy/docs/grading/policy.html

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

Complaint Management Procedure for Students and Members of the Public http://www.mq.edu.au/policy/docs/complaint_management/procedure.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/

Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in eStudent. For more information visit ask.mq.edu.au.

Supplementary Exams

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

http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/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://www.mq.edu.au/about_us/offices_and_units/information_technology/help/.

When using the University's IT, you must adhere to the Acceptable Use of IT Resources 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

- 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.
- Analyse bond prices and yields.
- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.
- Formulate derivatives strategies to modify portfolio risk-return attributes.

Assessment tasks

- Online quiz
- Mid-semester test
- 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

- 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.
- Analyse bond prices and yields.
- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.
- Formulate derivatives strategies to modify portfolio risk-return attributes.

Assessment task

- 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

- 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.