



# AFIN818

## Investments

S1 Evening 2017

*Dept of Applied Finance and Actuarial Studies*

### Contents

---

<a href="#"><u>General Information</u></a>	2
<a href="#"><u>Learning Outcomes</u></a>	3
<a href="#"><u>General Assessment Information</u></a>	3
<a href="#"><u>Assessment Tasks</u></a>	3
<a href="#"><u>Delivery and Resources</u></a>	6
<a href="#"><u>Unit Schedule</u></a>	7
<a href="#"><u>Policies and Procedures</u></a>	8
<a href="#"><u>Graduate Capabilities</u></a>	9
<a href="#"><u>Changes from Previous Offering</u></a>	11
<a href="#"><u>Research and Practice</u></a>	11
<a href="#"><u>Changes since First Published</u></a>	11

---

#### **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

Dr. Guy Schofield

[guy.schofield@mq.edu.au](mailto:guy.schofield@mq.edu.au)

Contact via Refer to iLearn

Refer to iLearn

Refer to iLearn

Lecturer

Dr. Fan Yu

[fan.yu@mq.edu.au](mailto:fan.yu@mq.edu.au)

Contact via 9850 8568

E4A 728

Refer to iLearn

Angela Chow

[angela.chow@mq.edu.au](mailto:angela.chow@mq.edu.au)

Credit points

4

Prerequisites

ACST603 or AFIN858

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 trade-off, 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.

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

Analyse bond prices and yields.

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

## General Assessment Information

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 criteria for all assessment tasks will be provided on the unit iLearn site.

Students should attempt the multiple choice questions provided in the unit [BKM textbook website](#) (see Delivery and Resources below) as part of class preparation. Please use these questions, the online quiz assessment task and the weekly homework questions 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.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Quiz</a>	11%	No	Weekly
<a href="#">Class test</a>	25%	No	Week 7 in class
<a href="#">Case study</a>	25%	No	Sun21May2017 by 5pm Austr. EST
<a href="#">Final examination</a>	39%	No	University Examination Period

### Quiz

Due: **Weekly**

Weighting: **11%**

On-line quizzes are interactive online learning activities where questions are randomly selected from a test-bank. We use the online quizzes to encourage timely revision and engage student learning. There is one online quiz for each lecture. Each online quiz is worth one mark and has ten questions of equal weighting. There are eleven online quizzes in total. The online quizzes will open to students every Friday commencing week one to test your knowledge of the lecture given in the week. You are expected to have completed the quiz within the week i.e., by the following Friday. Students frequently ask for extensions to these deadlines for various reasons. In the interest of fairness every student will automatically be granted an extension of one week to each online quiz, and the quizzes will stay online for two weeks each (e.g., Week 1's lecture will be open until Friday of week 3). Further extensions will only be granted with a doctor's note explaining the student's inability to complete the quiz in all two weeks.

You are allowed three attempts for each online quiz. The highest mark achieved from each online quiz is selected for grading purposes. After completing an online quiz, you must click "submit" before exiting the online quiz to ensure that the answers are processed and marked by iLearn. Otherwise, you will not receive any marks. In the past, some students have claimed to have submitted quizzes but that the system has lost them, most likely confused different quizzes. If you think you lost a quiz the IT guys will look into it, but if they cannot find anything in the system we cannot give you any marks. You are encouraged to take a screen shot of your submitted quiz if you don't have faith in iLearn.

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

## Class test

Due: **Week 7 in class**

Weighting: **25%**

The mid-semester test will cover the topics studied during weeks 1 to 5 inclusive. The time allowed is one and a half hours.

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

## Case study

Due: **Sun21May2017 by 5pm Austr. EST**

Weighting: **25%**

Each student will prepare a written report that addresses the issues raised in the assigned case study. Submission for the case study is via the unit iLearn website using Turnitin. This is an individual assignment and similarity will be checked via Turnitin

Please refer to iLearn for the case and submission details.

The written report is to be submitted by the due date. No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). No submission will be accepted after feedback has been provided in the first class of week 12. This penalty does not apply 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.
- Characterise the implications of the market efficiency evidence on active portfolio management.
- Analyse bond prices and yields.

## Final examination

Due: **University Examination Period**

Weighting: **39%**

In principle, the final exam covers all the materials discussed in the lectures, including the first five weeks. However, the emphasis of the exam will be on the material covered from week six onwards, i.e. the material that was not covered by the midterm exam. Earlier materials will mainly be relevant to the extent that the material from lecture six onwards builds on it.

The duration of the exam is two and a half hours plus 10 minutes reading time. **NO** formula sheet will be provided in the exam paper. Only the Cumulative Normal Distribution table will be provided in the exam paper if required. You will be permitted to take one A4 sheet of reference

material handwritten and/or typed on both sides.

We will not specify the questions in advance. You must observe the exam rules and regulations set by the university. Further details on the format of the final exam will be provided on iLearn. 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.
- Characterise the implications of the market efficiency evidence on active portfolio management.
- Analyse bond prices and yields.
- Explain macroeconomic and industry analysis, equity valuation and financial statement analysis.

## 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. See details from the [timetable](#).

### 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 address any misunderstandings and to apply concepts to more difficult problems. Participation is strongly encouraged so students can check their understanding of concepts. Students should be prepared to present their homework solutions in the tutorials and/or to discuss the related conceptual issues.

#### 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.

The optional additional textbook for the unit is Elton, E.J., Gruber M.J., Brown, S.J., Goetzmann, W.N. (2014), *Modern Portfolio Theory and Investment Analysis*, 9th Edition, Wiley.

## 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.

Students should attempt the multiple choice questions provided in the [BKM textbook web site](#) as part of class preparation.

## Unit Schedule

Unit Week	Topic	Readings
Week 1	Introduction	BKM Pt1 chapters 1 and 2 (not 2.5)
Week 2	Investment vehicles	BKM Pt1 chapters 3 and 4 (not 3.4 and 3.5)
Week 3	Risk preferences and asset allocation	BKM Pt2 chapters 5 and 6 (not appendix C)
Week 4	Portfolio optimisation	BKM Pt2 chapters 7 and 8 (not appendices)
Week 5	Asset pricing	BKM Pt3 chapters 9 and 10
Week 6	Market efficiency	BKM Pt3 chapters 11 and 12
Week 7	Mid semester test	
Week 8	Empirical evidence on security returns	BKM Pt3 chapter 13

Week	Topics	Readings
Week 9	Fixed income securities	BKM chapters 14 and 15
Week 10	Interest rate risk management	BKM chapter 16
Week 11	Industry analysis	BKM chapter 17
Week 12	Equity securities	BKM chapters 18 and 19
Week 13	Revision	

## 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\\_2016.html](http://mq.edu.au/policy/docs/assessment/policy_2016.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](http://www.mq.edu.au/policy/docs/complaint_management/procedure.html)

Disruption to Studies Policy (in effect until Dec 4th, 2017): [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html)

Special Consideration Policy (in effect from Dec 4th, 2017): <https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/special-consideration>

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/)

## 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.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](#)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](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

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

## Assessment tasks

- Quiz
- Class test
- Case study
- Final examination

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

## Assessment tasks

- Case study
- Final examination

## PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

### Learning outcomes

- Construct optimal portfolios applying the principles of modern portfolio theory.
- Analyse bond prices and yields.

### Assessment tasks

- Case study
- Final examination

## Changes from Previous Offering

Addition of online quiz assessment task.

Reduced the number of PG capabilities to three.

## 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 written report.

## Changes since First Published

Date	Description
22/02/2017	Removed Angela Chow as a contact.
21/02/2017	Removed two PG capabilities to leave three PG capabilities as required.