AFIN739

Portfolio Management

S1 Day 2017

Dept of Applied Finance and Actuarial Studies

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General Information

Unit convenor and teaching staff Sessional Lecturer Camille Schmidt camille.schmidt@mq.edu.au Contact via email By appointment
Credit points 4
Prerequisites Admission to MRes
Corequisites
Co-badged status
Unit description This unit covers the principles, theory and techniques of portfolio management. Study of this unit provides a basis for the effective management of investment portfolios, as well as an understanding of the limitations of techniques commonly applied to problems of portfolio construction and performance evaluation.

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:

Know the behavioural and statistical assumptions underlying the tools and techniques of portfolio management and have developed an awareness of their rationale and limitations

Understand the economic principles of arbitrage and market efficiency - with a particular focus on their implications for funds management

Be able to apply key factor pricing models to practical problems in portfolio construction and performance evaluation - both as statistical tools and as economic points of reference

Have an understanding of the sources of modelled risk and approaches to managing such exposures

Have gained an understanding of alternative criteria for constructing portfolios and benchmarking performance

Have developed an awareness of the limitations of models and techniques in light of statistical reasoning and empirical evidence - including published academic research and first-hand investigations.

General Assessment Information

Students enrolled in AFIN739 will sit similar assessment tasks to students enroilled in AFIN839, however, where appopriate, AFIN739 students will be required to apply techniques and/or demonstrate an ability to evaluate research findings beyond the level expected of AFIN839 students. Specific differences in assessment expectations (i.e. examinable content and/or assignment questions) will be highlighted explicitly as we go.

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

Marks in gradebook: It is the responsibility of students to view their marks for each 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 tasks (not including the final exam mark) will not be addressed.

Supplementary exams: Information regarding supplementary exams, including dates, is available at: http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_consideration

Assessment Tasks

Name	Weighting	Hurdle	Due
Online Quiz	5%	No	Sat 18 March 2017 by 11.55pm
In-Class Test	30%	No	Week 7
Individual Research Assignment	15%	No	Saturday 27 May by 11.55pm
Final Exam	50%	No	University Examination Period

Online Quiz

Due: **Sat 18 March 2017 by 11.55pm**
Weighting: **5%**

This online quiz covers topics from Week 1 - 3 and is to provide early feedback to

students. Please use the 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.

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 for cases in which an application for disruptions to studies is made and approved.

On successful completion you will be able to:

- Know the behavioural and statistical assumptions underlying the tools and techniques of portfolio management and have developed an awareness of their rationale and limitations

In-Class Test

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

The In-Class test covers topics from Week 1 - 6. Total time for this test is 1.5 hours.

On successful completion you will be able to:

- Know the behavioural and statistical assumptions underlying the tools and techniques of portfolio management and have developed an awareness of their rationale and limitations
- Understand the economic principles of arbitrage and market efficiency - with a particular focus on their implications for funds management
- Be able to apply key factor pricing models to practical problems in portfolio construction and performance evaluation - both as statistical tools and as economic points of reference
- Have an understanding of the sources of modelled risk and approaches to managing such exposures

Individual Research Assignment

Due: **Saturday 27 May by 11.55pm**
Weighting: **15%**

Students will be required to carry out research in a group of 3-4 students. Details will be provided via iLearn and assignment has to be submitted via iLearn.

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). This penalty does not apply for

cases in which an application for disruption of studies is made and approved. No submission will be accepted after solutions have been posted.

On successful completion you will be able to:

- Be able to apply key factor pricing models to practical problems in portfolio construction and performance evaluation - both as statistical tools and as economic points of reference
- Have an understanding of the sources of modelled risk and approaches to managing such exposures
- Have gained an understanding of alternative criteria for constructing portfolios and benchmarking performance
- Have developed an awareness of the limitations of models and techniques in light of statistical reasoning and empirical evidence - including published academic research and first-hand investigations.

Final Exam

Due: **University Examination Period**
Weighting: **50%**

The final exam is based on topics covered during lecture weeks 1 to 13, inclusive. Total time available for the final examination is 2 hours (excluding 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. You are permitted ONE A4 page of paper containing reference material printed on both sides. The material may be handwritten or typed. The page will not be returned to you at the end of the final examination.

On successful completion you will be able to:

- Know the behavioural and statistical assumptions underlying the tools and techniques of portfolio management and have developed an awareness of their rationale and limitations
- Understand the economic principles of arbitrage and market efficiency - with a particular focus on their implications for funds management
- Be able to apply key factor pricing models to practical problems in portfolio construction and performance evaluation - both as statistical tools and as economic points of reference
- Have an understanding of the sources of modelled risk and approaches to managing such exposures
- Have gained an understanding of alternative criteria for constructing portfolios and

benchmarking performance

- Have developed an awareness of the limitations of models and techniques in light of statistical reasoning and empirical evidence - including published academic research and first-hand investigations.

Delivery and Resources

Classes

Classes are 3-hour seminars and timetable can be found at https://timetables.mq.edu.au/2017/. A typical class will be structured as a 2-hour lecture followed by 1-hour tutorial - though the distinction between the two may be blurred. Please feel free to ask (and answer!) questions throughout the class. Attendance at classes is expected.

Recommended Texts and/or Materials

It is not essential to purchase a textbook for the unit, but the following text is particularly useful.

Investment Analysis and Portfolio Management by Reilly and Brown. 10th Edition, 2011, South-Western Cengage Learning. ISBN 0538482389

We will supplement the lecture materials with readings from journals and other textbooks. Other useful texts are listed below.

Running Money, Professional Portfolio Management by Stewart, Piros and Heisler. 1st Edition, McGraw-Hill Irwin, 2011.

Modern Portfolio Theory and Investment Analysis by Elton, Gruber, Brown and Goetzmann. 7th Edition, John Wiley and Sons, Inc, 2007. ISBN 978-0470-05082-2

Modern Investment Theory by Haugen, 5th Edition, Prentice Hall, 2001. ISBN 0-13-019170-1

Investments by Levy and Post. Pearson Publishing, 2005. ISBN 0-273-65164-1

Refer to the unit web page for other useful references and resources.

Technology Used and Required

Necessary technology: scientific or business calculator without alphanumeric capabilities, internet access, computer with MS Excel.

Useful technology: The MATLAB software environment is **very** useful if you intend doing this sort of work professionally.

For details of the student version please refer to:

http://www.mathworks.com.au/academia/student_version/

Unit Web Page

Log in via https://ilearn.mq.edu.au

Teaching and Learning Activities

The first two hours of each class will be a lecture-style presentation, the third hour an interactive

tutorial.

You are strongly advised to attempt all assigned tutorial questions before the weekly tutorial class, and before consulting the solutions. It is very easy to be lulled into a false sense of security by simply reading questions and looking at the solutions.

Each week you are required to submit your attempt at the tutorial questions. Success in this unit depends on keeping up with the weekly content, so doing the tutorial work is essential. Whilst no assessment marks are allocated to tutorial assignments, submission of your work will be recorded to provide evidence of your satifactory performance/progress.

Solutions to tutorial questions will be provided at the end of the week in which they're due.

Research and Practice

- This unit uses research by Macquarie University researchers (Week 10, 11)
- This unit uses research from external sources (most weeks)
- This unit gives you practice in applying your own research findings in your assignments

Unit Schedule

Please refer to iLearn for unit schedule.

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_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

Disruption to Studies Policy (in effect until Dec 4th, 2017): 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/

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/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) 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

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

- Know the behavioural and statistical assumptions underlying the tools and techniques of portfolio management and have developed an awareness of their rationale and limitations
- Understand the economic principles of arbitrage and market efficiency - with a particular focus on their implications for funds management
- Have gained an understanding of alternative criteria for constructing portfolios and benchmarking performance

Assessment tasks

- Online Quiz
- In-Class Test
- Individual Research Assignment
- Final Exam

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

- Be able to apply key factor pricing models to practical problems in portfolio construction and performance evaluation - both as statistical tools and as economic points of reference
- Have an understanding of the sources of modelled risk and approaches to managing such exposures
- Have gained an understanding of alternative criteria for constructing portfolios and benchmarking performance

Assessment tasks

- In-Class Test
- Individual Research Assignment
- Final Exam

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

- Be able to apply key factor pricing models to practical problems in portfolio construction and performance evaluation - both as statistical tools and as economic points of reference
- Have an understanding of the sources of modelled risk and approaches to managing such exposures
- Have gained an understanding of alternative criteria for constructing portfolios and benchmarking performance
- Have developed an awareness of the limitations of models and techniques in light of statistical reasoning and empirical evidence - including published academic research and first-hand investigations.

Assessment tasks

- Individual Research Assignment
- Final Exam

Changes from Previous Offering

Change in assessment weightings and structure. Minor changes to weekly lecture contents.

Changes since First Published

Date	Description
01/03/2017	Change the group assignment into individual research assignment.