



# AFIN739

## Portfolio Management

S1 Day 2019

*Department of Applied Finance*

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### Disclaimer

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## General Information

Unit convenor and teaching staff Unit Convenor and Lecturer Charles Koh <a href="mailto:charles.koh@mq.edu.au">charles.koh@mq.edu.au</a> Contact via Dialogue via iLearn 4ER Level 2 See iLearn
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

Be able to research on alternative criteria for constructing portfolios and benchmarking performance, and on the limitations of models and techniques when applied outside of textbook examples - including exposures to risks that are outside the scope of standard models .

## General Assessment Information

**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.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Online Quiz</u>	5%	No	Monday 18 March by 3pm
<u>In-Class Test</u>	30%	No	Week 7
<u>Individual Assignment</u>	15%	No	Friday 17 May by 3 pm
<u>Final Exam</u>	50%	No	University Examination Period

### Online Quiz

Due: **Monday 18 March by 3pm**

Weighting: **5%**

**Task Description:** 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. **Type of Collaboration:** Individual

**Submission:** Online **Format:** Multiple Choice Questions **Length:** 30 minutes **Late**

**Submission:** 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 special consideration 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%**

**Task Description:** The In-Class test covers topics from Week 1 - 6. **Type of Collaboration:**

Individual **Submission:** In-class **Format:** Refer to iLearn **Length:** 1.5 hours **Late Submission:**

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 special consideration 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
- 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 Assignment

Due: **Friday 17 May by 3 pm**

Weighting: **15%**

**Task Description:**

This is an individual assignment. Students will be asked to work on an assigned topic for research. Based on detailed literature review, the students will prepare an essay. The word limit is 2000 words excluding table of contents and bibliography. The essay will be submitted through Turnitin before the due date. It will be graded based on logical development of content and arguments, effective use of research evidence, clear conclusions, clarity in writing and appropriate citations and references. Details will be provided via iLearn.

**Type of Collaboration:** Individual **Submission:** Assignment has to be submitted via iLearn

**Format:** Refer to iLearn **Length:** Refer to iLearn **Late Submission:** 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 special consideration 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
- Be able to research on alternative criteria for constructing portfolios and benchmarking performance, and on the limitations of models and techniques when applied outside of textbook examples - including exposures to risks that are outside the scope of standard models .

## Final Exam

Due: **University Examination Period**

Weighting: **50%**

### **Task Description:**

The final exam is based on topics covered during lecture weeks 1 to 13, inclusive.

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.

**Type of Collaboration:** Individual **Submission:** In Exam **Format:** Refer to iLearn. **Length:**

Total time available for the final examination is 2 hours (excluding reading time). **Late**

**Submission:** 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 special consideration 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
- 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

- Be able to research on alternative criteria for constructing portfolios and benchmarking performance, and on the limitations of models and techniques when applied outside of textbook examples - including exposures to risks that are outside the scope of standard models .

## Delivery and Resources

<b>Required Text:</b>	<b>Investment Analysis and Portfolio Management</b> by Reilly and Brown. 11th Edition, 2019, South-Western Cengage Learning. ISBN 9781305262997
<b>Unit Web Page:</b>	Log in via <a href="https://ilearn.mq.edu.au">https://ilearn.mq.edu.au</a>
<b>Technology Used and Required:</b>	<p>Necessary technology: scientific or business calculator without alphanumeric capabilities, internet access, computer with MS Excel.</p> <p>Useful technology: The MATLAB software environment is very useful if you intend doing this sort of work professionally.</p> <p>For details of the student version please refer to: <a href="http://www.mathworks.com.au/academia/student_version/">http://www.mathworks.com.au/academia/student_version/</a></p>
<b>Delivery Format and Other Details:</b>	<p><b>Classes</b></p> <p>Classes are 3-hour seminars and timetable can be found at <a href="https://timetables.mq.edu.au/2019/">https://timetables.mq.edu.au/2019/</a>. 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.</p> <p><b>Teaching and Learning Activities</b></p> <p>The first two hours of each class will be a lecture-style presentation, the third hour an interactive tutorial.</p> <p>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.</p> <p>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 satisfactory performance/progress.</p> <p>Solutions to tutorial questions will be provided at the end of the week in which they are due.</p>
<b>Recommended Readings:</b>	<p>We will supplement the lecture materials with readings from journals and other textbooks. Other useful texts are listed below.</p> <p><b>Running Money, Professional Portfolio Management</b> by Stewart, Piroos and Heisler. 1st Edition, McGraw-Hill Irwin, 2011.</p> <p><b>Modern Portfolio Theory and Investment Analysis</b> by Elton, Gruber, Brown and Goetzmann. 9th Edition, John Wiley and Sons, Inc, 2013. ISBN 978-1-118-46994-1</p> <p><b>Modern Investment Theory</b> by Haugen, 5th Edition, Prentice Hall, 2001. ISBN 0-13-019170-1</p> <p><b>Investments</b> by Levy and Post. Pearson Publishing, 2005. ISBN 0-273-65164-1</p> <p>Refer to the unit web page for other useful references and resources.</p>
<b>Other Course Materials:</b>	

## 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 a more detailed unit schedule.*

1	Introduction & Portfolio Theory
2	Portfolio Management: Mean-Variance Analysis
3	Portfolio Management: Parameter Estimates
4	Informational Efficiency
5	Equity Portfolio Management
6	Performance Measurement
7	<u>Class Test</u>
8	Portfolio Construction Extensions
9	Bond Valuation
10	Bond Portfolio Management
11	Alternative Assets
12	Derivatives: Introduction and Portfolio Management
13	Portfolio Management: Summary

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>)



a). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/study/getting-started/student-conduct>

## Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) 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](http://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@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](http://ask.mq.edu.au)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@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

- 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

### Assessment tasks

- Online Quiz

- In-Class Test
- Individual 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
- Be able to research on alternative criteria for constructing portfolios and benchmarking performance, and on the limitations of models and techniques when applied outside of textbook examples - including exposures to risks that are outside the scope of standard models .

### Assessment tasks

- In-Class Test
- Individual 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
- Be able to research on alternative criteria for constructing portfolios and benchmarking performance, and on the limitations of models and techniques when applied outside of textbook examples - including exposures to risks that are outside the scope of standard models .

## **Assessment tasks**

- Individual Assignment
- Final Exam

## **Changes from Previous Offering**

Minor changes to weekly lecture contents and adoption of the latest editions of the text and reference books.