



# ACST871

## Investment Management

S2 Day 2019

*Department of Actuarial Studies and Business Analytics*

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#### **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  
LECTURER AND UNIT COORDINATOR

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BY APPOINTMENT

LECTURER

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Credit points

4

Prerequisites

Permission by special approval

Corequisites

Co-badged status

Unit description

This unit covers investment from an actuarial practitioner's perspective. Topics include: asset classes and their characteristics; Australian shares; overseas shares; property; fixed interest and 'other' strategic and tactical asset allocation; stochastic asset liability modelling; investment mandates; investment management styles; investment performance measurement; risk management and control; and formulation of investment policy for financial institutions, taking into account the nature of their liabilities.

## 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:

Explain the behaviour of different investment types under different economic conditions, recognising risk factors including issuer default, counterparty failure, systemic liquidity, the collapse of speculative bubbles, shocks to the system and cyclical/structural changes. Develop an understanding of the methods used for valuation of the common forms of debt, equity, property and derivative investments. In particular students should be aware of: valuation methods and principles, data requirements and sources, assumptions and limitations of the valuation models.

Develop an understanding of the major economic and financial theories relevant to investment including the capital asset pricing model, multifactor pricing models, efficient markets hypothesis and ideas from behavioural finance.

Construct, critically evaluate and apply asset models that are appropriate to the management of liabilities. Define appropriate investment objectives based on the liability profile of a fund, specify appropriate investment constraints based on the liability profile of a fund, identify the characteristics of different types of asset models, critically evaluate the appropriateness of an asset model for a given context.

Understand the effective investment governance of an institutional investor. The role of the board, the investment committee, the internal investment team and external investment managers including setting an effective delegation matrix. Investment beliefs and philosophy. Describe and critically evaluate approaches to asset allocation. Manage agency issues. Assess investment managers. Investment performance measurement and analysis. Investment and operational risk analysis.

Demonstrate the capacity to conduct research related to investments, in particular regarding application of valuation methods to hybrid securities, derivatives and real options.

## General Assessment Information

There will be an online diagnostic quiz at the start of week 4 of 0% weighting. Diagnostic quiz feedback will be provided before the census date. Students may decide whether to discontinue the unit based on this feedback.

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.

Assignment and assessed coursework submission is through iLearn.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Assessed Coursework</u>	6%	No	Various
<u>Assignment</u>	24%	No	Week 9 - Sat 12 Oct at 11.55pm
<u>Final exam</u>	70%	No	University examination period

### Assessed Coursework

Due: **Various**

Weighting: **6%**

We will have 3 assessed coursework (homework) tasks for this unit, due in weeks 4, 8, and 11 and details are as below:

- Task 1 (2 marks) - covers Week 1, 2 & 3 materials, due in Week 4 on Saturday 24 August 2019 at 11.55pm
- Task 2 (2 marks) - covers Week 4 to 7 materials, due in Week 8 on Saturday 5 October 2019 at 11.55pm
- Task 3 (2 marks) - covers Week 8 to 10 materials, due in Week 11 on Saturday 26 October 2019 at 11.55pm

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. These assessment tasks will be submitted electronically via iLearn. Details of the submission method will be provided on iLearn.

On successful completion you will be able to:

- Explain the behaviour of different investment types under different economic conditions, recognising risk factors including issuer default, counterparty failure, systemic liquidity, the collapse of speculative bubbles, shocks to the system and cyclical/structural changes. Develop an understanding of the methods used for valuation of the common forms of debt, equity, property and derivative investments. In particular students should be aware of: valuation methods and principles, data requirements and sources, assumptions and limitations of the valuation models.
- Develop an understanding of the major economic and financial theories relevant to investment including the capital asset pricing model, multifactor pricing models, efficient

markets hypothesis and ideas from behavioural finance.

- Construct, critically evaluate and apply asset models that are appropriate to the management of liabilities. Define appropriate investment objectives based on the liability profile of a fund, specify appropriate investment constraints based on the liability profile of a fund, identify the characteristics of different types of asset models, critically evaluate the appropriateness of an asset model for a given context.
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## Assignment

Due: **Week 9 - Sat 12 Oct at 11.55pm**

Weighting: **24%**

There will be one assignment (worth 24%) due during the session requiring analysis and written response. It will be made available during week 7 and due in week 9 on Saturday 12 October at 1155pm. This will be an individual assignment, not a group assignment. Note that there is a 2 week mid semester break between the end of week 7 and the start of week 8.

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. The assignment will be submitted electronically via iLearn. Details of the submission method will be provided on iLearn.

On successful completion you will be able to:

- Explain the behaviour of different investment types under different economic conditions, recognising risk factors including issuer default, counterparty failure, systemic liquidity, the collapse of speculative bubbles, shocks to the system and cyclical/structural changes. Develop an understanding of the methods used for valuation of the common forms of debt, equity, property and derivative investments. In particular students should be aware of: valuation methods and principles, data requirements and sources, assumptions and limitations of the valuation models.
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- Demonstrate the capacity to conduct research related to investments, in particular regarding application of valuation methods to hybrid securities, derivatives and real options.

## Final exam

Due: **University examination period**

Weighting: **70%**

A three hour final examination for this unit will be held during the university examination period. This will be an open book examination where students may bring notes. Details of what will be permitted during the final exam will be given during the unit.

Calculators without text-retrievable capacity permitted. Calculators may be checked at the commencement of the examination and the make/model may be recorded.

Dictionaries are not permitted.

No extensions will be granted. Students who have not sat the exam 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:

- Explain the behaviour of different investment types under different economic conditions, recognising risk factors including issuer default, counterparty failure, systemic liquidity, the collapse of speculative bubbles, shocks to the system and cyclical/structural changes. Develop an understanding of the methods used for valuation of the common forms of debt, equity, property and derivative investments. In particular students should be aware of: valuation methods and principles, data requirements and sources,

assumptions and limitations of the valuation models.

- Develop an understanding of the major economic and financial theories relevant to investment including the capital asset pricing model, multifactor pricing models, efficient markets hypothesis and ideas from behavioural finance.
- Construct, critically evaluate and apply asset models that are appropriate to the management of liabilities. Define appropriate investment objectives based on the liability profile of a fund, specify appropriate investment constraints based on the liability profile of a fund, identify the characteristics of different types of asset models, critically evaluate the appropriateness of an asset model for a given context.
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- Demonstrate the capacity to conduct research related to investments, in particular regarding application of valuation methods to hybrid securities, derivatives and real options.

## Delivery and Resources

### Classes

Any alterations to the class times or locations will be advised in class and on the iLearn subject page.

### Campus classes

Lectures for this unit will be held on Saturdays between 9am and 12pm in the building 23WW (at 23 Wally's Walk) T1 Theatre, Macquarie University, North Ryde. The first lecture will be on 3 August 2018.

For further details relating to the timetables, please refer to the following link: <http://timetables.mq.edu.au>

### Distance education class

If you have enrolled for the distance education offering of this unit you will have access to all materials from the face to face classes (learning guides, lecture slides/overheads, handouts, exercises etc) and the same discussions and other activities via the ACST404/871 iLearn page.

You can access the lecture and tutorial recording via ECHO on iLearn.

### Required and Recommended texts and/or materials

There are 2 textbooks for this course:

## **Required**

### **Bodie, Drew, Basu, Kane and Marcus**

Principles of Investments, ISBN 9780071012386

(Referred to elsewhere in this unit guide as **BDBKM**)

**BDBKM** is available from the Macquarie University Co-op Bookshop. Distance education students can obtain **BDBKM** from on-line booksellers such as Amazon. **FITZ** is available from the Actuaries Institute of Australia online bookshop web address <http://www.actuaries.asn.au/TechnicalResources/OnlineBookshop.aspx>.

## **Recommended:**

### **Fitzherbert, Richard**

**Investment Principles for Actuaries**, ISBN 978 0 85813 072 2

(Referred to elsewhere in this unit guide as **FITZ**)

Additional readings as PDF files will also be made available via the iLearn system or will be available in the public domain or on the internet.

## **Unit web page & Technology Used and Required**

All Students

The ACST404/871 iLearn page is integral to this course unit, whether you are a distance student or in a face to face class.

iLearn can be accessed via <http://ilearn.mq.edu.au>.

We will make announcements about unit administration and assessment tasks via iLearn. These announcements will be sent as emails to your Macquarie University student email account. You should check your student email account regularly, at least every couple of days.

## **Distance Education Students**

It is very important that distance students check their student email for unit announcements regularly, at least every couple of days. In particular, towards the end of semester you should check for announcements on the final exam.

## **Teaching and Learning Strategy**

Important – Students are expected to have completed the assigned reading BEFORE each lecture.

Most of the 3 hour sessions will consist of a 2 hour lecture covering the material for the week followed a workshop / tutorial in the last 1 hour.



## 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). 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 \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central).

## 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](https://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

*Information regarding supplementary exams, including dates, is available at:*

[http://www.businessandconomics.mq.edu.au/current\\_students/undergraduate/how\\_do\\_i/disruption\\_to\\_studies](http://www.businessandconomics.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](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

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- Demonstrate the capacity to conduct research related to investments, in particular regarding application of valuation methods to hybrid securities, derivatives and real options.

## Assessment tasks

- Assessed Coursework
- 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**

- Explain the behaviour of different investment types under different economic conditions, recognising risk factors including issuer default, counterparty failure, systemic liquidity, the collapse of speculative bubbles, shocks to the system and cyclical/structural changes. Develop an understanding of the methods used for valuation of the common forms of debt, equity, property and derivative investments. In particular students should be aware of: valuation methods and principles, data requirements and sources, assumptions and limitations of the valuation models.
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- Demonstrate the capacity to conduct research related to investments, in particular regarding application of valuation methods to hybrid securities, derivatives and real options.

## **Assessment tasks**

- 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

- Explain the behaviour of different investment types under different economic conditions, recognising risk factors including issuer default, counterparty failure, systemic liquidity, the collapse of speculative bubbles, shocks to the system and cyclical/structural changes. Develop an understanding of the methods used for valuation of the common forms of debt, equity, property and derivative investments. In particular students should be aware of: valuation methods and principles, data requirements and sources, assumptions and limitations of the valuation models.
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## Assessment tasks

- Assessed Coursework
- Assignment
- Final exam

## Changes from Previous Offering

There are changes to the assignment structure and weighting.

## Research and Practice

The unit will develop students' abilities to conduct research in a practical context through a wide range of readings, discussions and class activities.

## Changes since First Published

Date	Description
24/07/2019	assessment structure changed
24/07/2019	update on assessment items