AFIN818
Investments
S1 Evening 2015
Dept of Applied Finance and Actuarial Studies

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General Information

Unit convenor and teaching staff
Kassim Durrani
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James Cummings
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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://students.mq.edu.au/important-dates

Learning Outcomes

1. Construct optimal portfolios applying the principles of modern portfolio theory.
2. Illustrate the theory and empirical applications of asset pricing models: the CAPM, APT and multi-factor models.
3. Characterise the implications of the market efficiency evidence on active portfolio management.
4. Analyse bond prices and yields.
5. 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 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

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class test</td>
<td>20%</td>
<td>Week 6</td>
</tr>
<tr>
<td>Final examination</td>
<td>50%</td>
<td>University Examination Period</td>
</tr>
<tr>
<td>Presentation</td>
<td>10%</td>
<td>Weeks 5-11</td>
</tr>
<tr>
<td>Case study/report</td>
<td>20%</td>
<td>21 May 2015</td>
</tr>
</tbody>
</table>

Class test

Due: **Week 6**  
Weighting: **20%**

The mid-semester test will cover the topics studied during weeks 1 to 4 inclusive. The mid-semester test will be held in class in week 6. The weight of the mid-semester test is 20%.

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 special consideration is made and approved.

This Assessment Task relates to the following Learning Outcomes:

- Construct optimal portfolios applying the principles of modern portfolio theory.

Final examination

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

The final exam will cover the topics studied throughout the semester. The final exam will be scheduled in the examination period. The weight of the final exam is 50%.

This Assessment Task relates to the following 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.

Presentation
Due: Weeks 5-11
Weighting: 10%

Students will work on a case study in groups of three or four and present their findings to the class. Details of the case study will be announced in class and posted on iLearn.

Each group will make a ten-minute presentation during weeks 5 to 11 as scheduled by the lecturer. No extensions will be granted. Students who do not deliver their class presentation on the scheduled date will be awarded a mark of 0 for the class presentation, except for cases in which an application for special consideration is made and approved.

This Assessment Task relates to the following 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.

Case study/report
Due: 21 May 2015
Weighting: 20%

Each group will prepare a written report that addresses the issues raised in the case study.
Please refer to iLearn for submission details.

The written report is due on 21 May 2015 at 5:00 p.m. No extensions will be granted. Late written reports will be accepted up to 72 hours after the submission deadline. There will be a deduction of 20% 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 – 40% penalty). This penalty does not apply for cases in which an application for special consideration is made.
This Assessment Task relates to the following 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.

**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 you clarify any misunderstandings and apply concepts to more difficult problems. Participation is strongly encouraged for you to check your understanding of concepts.

**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.

**Online**

iLearn ([https://ilearn.mq.edu.au](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.

The multiple choice quizzes available with the textbook are a useful revision resource.
Changes since the last offering of this unit
Nil

Unit Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Commencing</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>23 February</td>
<td>Introduction</td>
<td>BKM chapters 1 and 2</td>
</tr>
<tr>
<td>2</td>
<td>2 March</td>
<td>Investment vehicles</td>
<td>BKM chapters 3 and 4</td>
</tr>
<tr>
<td>3</td>
<td>9 March</td>
<td>Risk preferences and asset allocation</td>
<td>BKM chapters 5 and 6</td>
</tr>
<tr>
<td>4</td>
<td>16 March</td>
<td>Portfolio optimisation</td>
<td>BKM chapters 7 and 8</td>
</tr>
<tr>
<td>5</td>
<td>23 March</td>
<td>Asset pricing</td>
<td>BKM chapters 9 and 10</td>
</tr>
<tr>
<td>6</td>
<td>30 March</td>
<td>Mid-semester test</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mid-semester break</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>20 April</td>
<td>Market efficiency</td>
<td>BKM chapters 11, 12 and 13</td>
</tr>
<tr>
<td>8</td>
<td>27 April</td>
<td>No class</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>4 May</td>
<td>Fixed income securities</td>
<td>BKM chapter 14 and 15</td>
</tr>
<tr>
<td>10</td>
<td>11 May</td>
<td>Interest rate risk management</td>
<td>BKM chapter 16</td>
</tr>
<tr>
<td>11</td>
<td>18 May</td>
<td>Industry analysis</td>
<td>BKM chapter 17</td>
</tr>
<tr>
<td>12</td>
<td>25 May</td>
<td>Equity securities</td>
<td>BKM chapters 18 and 19</td>
</tr>
<tr>
<td>13</td>
<td>1 June</td>
<td>Review</td>
<td></td>
</tr>
</tbody>
</table>
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:


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
Student Enquiry Service
For all student enquiries, visit Student Connect at ask.mq.edu.au

Equity 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.

IT Help
For help with University computer systems and technology, visit http://informatics.mq.edu.au/help.

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

• Class test
• Final examination
• Case study/report
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

- Final examination
- Presentation
- Case study/report

PG - Effective Communication

Our postgraduates will be able to communicate effectively and convey their views to different social, cultural, and professional audiences. They will be able to use a variety of technologically supported media to communicate with empathy using a range of written, spoken or visual formats.

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.
**Assessment tasks**

- Presentation
- Case study/report

**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 class presentation and written report.

**Changes since First Published**

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>24/07/2015</td>
<td>Clicked edit by mistake - no changes made.</td>
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