



School of Economics and Finance

MOFI 305 Investments

Trimester 1 2006

COURSE OUTLINE

Contact Details

Lecturers: Associate-Professor Martin Lally
Office: RH Rm 301 - extn: 5998
Email: Martin.Lally@vuw.ac.nz

Students are free to contact him at any time.

Class Times and Room Numbers

Lectures Times: Monday, Thursday and Friday : 3.40pm -4.30pm RH Lt2

Tutorial will be conducted weekly and commence in the second week. . Students will submit a tutorial preference form at the first lecture, and the allocation of students to tutorial times will be posted on Blackboard by the end of the first week. Tutorial assignments will be distributed in the preceding week's lecture class, and should be completed in preparation for the tutorial class.

The course has a final exam during the examination period June 5 – June 25.

Course materials, notices and any other new/additional information will be posted on **Blackboard** – <http://blackboard/vuw.ac.nz> Students should always refer to **Blackboard** for information pertaining to this course. Any further queries can be directed to Suzanne Freear, Administrator – RH 327 extn: 5380.

The final examination will be held during the mid-year exam period: 12th - 23rd June, 2006.

Course Objectives

The course examines theory relating to portfolio selection and the pricing of financial assets, particularly equities. Associated empirical work (on asset pricing and market efficiency) is covered in QUAN304 (Financial Econometrics), which strongly complements this course.

Course Content

See attached schedule.

Readings

The prescribed text is E. Elton and M. Gruber, *Modern Portfolio Theory and Investment Analysis*, 6th edition, Wiley, 2003. However the 5th edition is virtually identical, and is a perfect substitute for the purposes of this course. The readings for each week are indicated in the attached Course Content schedule.

The examinable material constitutes the lecture material and tutorial assignments. The prescribed reading is intended to assist in the comprehension of this. Accordingly it should be read prior to the relevant lectures, and possibly also afterwards as a follow-up.

Materials and Equipment

Electronic calculators are permitted in examinations, providing they are non-programmable and without a full set of alphabetic keys.

Assessment Requirements

Assessment for the course will be determined in the following way. The following rule is initially applied.

In-Term Examination April 29, 11-12.30 – RH Lt1	30%
Final Examination (in the period 5-25 June)	70%

If this assessment rule yields a fail, and shifting the weight on the first exam to the final exam yields a pass, then the student will be granted 50%. For example, if the student's results are 40% and 60% for the first and second exams respectively, then application of the initial rule yields an overall result of 54%. This is a pass, and therefore is not altered. By contrast, if the student's results are 20% and 55%, application of the initial rule yields an overall result of 45%, which is a fail. By contrast, shifting all of the weight to the final exam yields an overall result of 55%, which is a pass. So, the student would be given 50%.

The in-term test will cover the lecture and tutorial material of the first six weeks (up to and including International Diversification and Evaluation of Performance). The final exam will cover the entire course, with about 30% based on the first six weeks material and the remaining 70% on the last six weeks material.

Penalties

Not applicable.

Mandatory Course Requirements

There are no requirements for passing the course beyond obtaining a C grade or better.

Communication of Additional Information

Additional information will be conveyed by Blackboard.

Additional Courses

Students anticipating undertaking 400 level Finance, or who anticipate working in the finance industry, are strongly advised to undertake more mathematics/statistics than that prescribed as a prerequisite for MOFI 201. Relevant statistics courses are QUAN 201, 202, 301, 303 and STAT 231, 331, 333, 338. The relevant mathematics courses are MATH 206, 301. Students

lacking MATH 113/114 may be admitted to MATH 206 with an "A" grade in QUAN 111. Also, as indicated above, QUAN 304 strongly complements this course.

In addition, students who anticipate working in the finance industry are strongly advised to undertake courses in financial accounting, since Annual Reports are significant sources of information in valuing companies. The relevant courses are ACCY 221, 222, 306, 308.

Students anticipating 400 level study need to ensure that they have the appropriate undergraduate pre-requisites to permit a full 8 course programme at 400 level. Such students are strongly encouraged to discuss this with a member of the School of Economics and Finance (SEF) before they finalise their courses for their final undergraduate year.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at: www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means no cheating. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.

Plagiarism is not worth the risk.

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct (www.vuw.ac.nz/policy/studentconduct) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at: www.vuw.ac.nz/home/studying/plagiarism.html.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/ or email student-services@vuw.ac.nz.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email education@vuwsa.org.nz.

Maori and Pacific Mentoring programme (Manaaki Pihipihinga)

This is a free programme of mentoring for Maori and Pacific students doing first year courses within the Faculty of Commerce and Administration. Weekly one hour mentoring sessions: drafting and editing assignments/discussing any questions that you might have from tutorials or lectures and going over every aspect of essay writing, either in small group sessions or on a one-to-one basis.

This includes:

- A computer suite hooked up to cyber commons for students to use to produce their assignments.
- Regular skill-based workshops with a learning adviser from Student Learning Support Services.
- Networking with other Maori and Pacific support groups throughout the university.

For more information please contact:

Melissa Dunlop, Programme Coordinator

Ph: 463 6015 or Email: Maori-Pacific-Mentoring@vuw.ac.nz

Lecture Outline & Background Reading

<u>Week Beginning</u>	<u>Subject/Background Reading</u>
Feb 27	Utility Theory E/G Ch 1, 2, 3, 10
Mar 6, 13, 20	Markowitz Portfolio Theory: Mathematics of the Efficient Frontier Simplified Techniques For Estimating Expected Returns and Covariances Parameter Estimation Error E/G Ch 4, 5, 6, 7, 8
March 27	Other Portfolio Selection Models E/G Ch 11, 21
April 3	International Diversification and Evaluation of Performance E/G Ch 12, 24
April 24	Capital Asset Pricing Models: Theory E/G Ch 13, 14
April 29	EXAM (11-12.30, covering the first six weeks material, room tba)
May 1	Arbitrage Pricing: Theory E/G Ch 16
May 8, 15	Corporate and Equity Valuation E/G Ch 18
May 22	Valuation and use of Options and Option-Type Assets E/G Ch 22
May 29	Valuation and use of Futures Contracts E/G Ch 23

Background reading should be done prior to the relevant lectures in order to obtain the maximum benefit from it, and possibly also after it as a follow-up.