

VICTORIA INTERNATIONAL APPLIED FINANCE PROGRAMME
School of Economics and Finance

**MMAF 516 PORTFOLIO DESIGN AND
INVESTMENT**

Trimester One 2007

COURSE OUTLINE

Contact Details

The course coordinator is Professor Roger Bowden. Preferred contact is by email. Email address: Roger.Bowden@vuw.ac.nz

Block Release Times

9:30am Saturday, 14th April – 12:05pm Monday, 16th April 2007
and 9:30am Friday, 8th June – 12:05pm Sunday, 10th June 2007.

A detailed schedule of each block release course will be supplied closer to the April and June sessions.

Attendance for all sessions of both block releases is compulsory.

Course Objectives

The aim is to provide course participants with the conceptual understanding and technical skills required to select and manage investment portfolios in a global environment. Students will become familiar with:

- The principles and execution of mean variance and other techniques of portfolio selection;
- An understanding of the principles of capital market equilibrium;
- A working knowledge of fundamentals based investment analysis and stock pricing;
- Techniques of funds management and the use of basic derivatives for such purposes.

Course Overview - The Big Picture

The three major components of the course are the techniques of portfolio formation; the principles and techniques of investment analysis; and the philosophies and techniques of portfolio management. Such aspects will be set in the context of the increasing globalisation of the investment possibility set. Historical data will be provided and used for purposes of analysis, reflection, and number crunching.

Course Coverage

The course is organised around three general themes:

- The first part of the course is concerned with general principles of return definition and portfolio construction, encompassing mean variance analysis though with some treatment of alternative principles. This leads naturally into a short study of capital market equilibrium, incorporating the CAPM and similar models, and a short discourse on the relationship of these to the more recent ideas of the risk premium process and the law of one price.
- The second part of the course is concerned with the principles of investment analysis based on fundamentals. The determinants of share prices are explored using valuation techniques familiar from the corporate finance course. The extension to bond pricing incorporates credit risk and economic influences. Extensions to other asset classes such as real estate are briefly covered.
- The third part is concerned with portfolio management, incorporating both active and passive modes for single class and mixed asset portfolios. An introduction to the use of basic derivatives for such purposes as cash flow covering and portfolio insurance is covered. Portfolio performance measurement rounds off the course.

Expected Workload

Total average workload of 200 hours. During the approximately 6 weeks of term prior to each block release, students will need to allow about 14 hours per week for study, research and preparation of assignments for this course. The two block courses each involve approximately 18 hours of work.

Readings

There is no ideal textbook for the course. Participants will be provided with a copy of:

Reilly, F.K. and K.C. Brown (2003)

Investment Analysis and Portfolio Management, 8th ed. Thomson: South-Western.

The above book is useful on the overall picture, but is a bit elementary and wordy on conceptual and methodological aspects, probably better for an MBA class than for our more numerical approach. It will be supplemented where necessary by course notes prepared by the lecturer in charge.

Basic financial maths and stats, including Excel and matrix algebra, can be found in Dawn Lorimer's book *Financial Maths for Managers: An Excel Companion*, 2nded., which you should have already.

An email file or floppy disk containing databases for the purposes of exercises and assignments will also be distributed.

Materials and Equipment

You are advised to bring a calculator to the block courses. A good financial calculator such as the HP10BII is strongly recommended. During tests students will be allowed to use calculators, but not hand held or other computers.

Assessment Requirements

Assessment will comprise 2 tests and 2 assessed assignments:

- A test (of length 1 ½ - 2 hours) will be administered at the conclusion of each block release. Each test is worth 30% of the final mark.
- An average mark of 40% or better must be obtained over the two tests.
- Two assignments, due shortly before the date of each block release. Assignment 1 will be worth 15% and is due Thursday, 5th April. Assignment 2 will be worth 25% and is due Thursday, 31st May.

Assignments

Each assignment will be administered to you at least 3 weeks in advance of its due date, which will be indicated. Standing VIAF and University rules regarding plagiarism and excessive collusion apply to the assignment and its return, for which see the circular from the Director that forms part of this folder. Student assignments may be fed into 'Turnitin' or otherwise scrutinized for indications of extraction or undue quotation from external sources or from the work of other students, in a manner without prejudice to confidentiality. Plagiarism and excessive collusion are nowadays not difficult to detect, and it is not worth the risk.

The following schedule of assessment applies:

Penalties

Each assignment will be marked out of a maximum that diminishes by a flat 5 % (95, 90, 85 etc) for every day late, a weekend counting as 1 day. It cannot be accepted more than 1 week after the due date. Work commitments will not normally be accepted, given the length of time available for completion. By the same token, last minute appeals for 'free' extensions will not be treated favourably. The recommendation is to start early.

Mandatory Course Requirements

To pass, a student must: (i) attend all sessions of both block release courses; (ii) obtain an average mark of at least 50% over total course assessment; (iii) obtain an average mark of at least 40% on the tests.

Communication of Additional Information

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided by email or by post. Students are responsible for ensuring that the VIAF administrator, Bun Wong, has their up to date email and postal addresses.

If you have, or become aware of, any health condition that could prevent you attending a VIAF compulsory block release, then you should notify the Programme director immediately, preferably by email, dawn.lorimer@vuw.ac.nz.

Gripes and Similar

Note that standing University regulations and statutes apply to issues of assessment, and conduct in general. There are also established University procedures regarding complaints, whether regarding the behaviour of others or the nature and quality of teaching and assessment. Generally, we encourage you to come to us first with such items, which may be

based on misunderstandings. In addition, we actively seek to better our own performance, and this can help us do so. If you get no happiness, we suggest you then contact the programme Director.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to www.vuw.ac.nz/policy.

Student 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 are to be taken if there is a complaint. For information about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor or refer to the statute on the VUW policy 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; class representatives may be able to help you in this. If you are not satisfied with the result of that meeting, see the Head of School or the relevant Associate Dean; VUWSA Education Coordinators are available to assist in 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 at 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. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other student or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: It is however, perfectly acceptable to include the work of others as long as that is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

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

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

Notice of Turnitin Use

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. At the discretion of the Head of School, handwritten work may be copy typed by the School and subject to checking by Turnitin. You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

Students with Impairments

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities the same opportunity as 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, 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 (DSS) to discuss your individual needs and the available options and support on a confidential basis. DSS are located on Level 1, Robert Stout Building, telephone (04) 463 6070, email disability@vuw.ac.nz. The name of your School's Disability Liaison Person is in the relevant prospectus or can be obtained from the School Office or DSS.

Student Support

Staff at Victoria want students to have positive learning experiences at the University. Each Faculty has a designated staff member who can either help you directly if your academic progress is causing you concern, or quickly put you in contact with someone who can. Assistance for specific groups is also available from the Kaiwawao Māori, Manaaki Pihipihinga or Victoria International.

In addition, the Student Services Group (email student-services@vuw.ac.nz) is available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/.

VUWSA employs 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 (tel. 04 463 6983 or 04 463 6984, email education@vuwsa.org.nz) is located on the ground floor, Student Union Building.

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email manaaki-pihipihinga-programme@vuw.ac.nz or phone (04) 463 5233 ext. 8977. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.