

Economics and Finance

MOFI305 INVESTMENTS

Trimester One 2007

COURSE OUTLINE

Contact Details

The Course Coordinator and lecturer for the course is Martin Lally, RH 301, ext 5998, martin.lally@vuw.ac.nz. Students are free to contact him at any time.

Class Times and Room Numbers

Lectures are Monday, Wednesday and Thursday, 5.40pm – 6.30pm, GB LT1. Tutorials 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 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.

Expected Workload

The anticipated workload is about 12 hours per week, comprising three hours for lectures, one hour for a tutorial, four hours to prepare the tutorial assignment, and four hours for reading.

Readings

The prescribed text is E. Elton, M. Gruber, S. Brown and W. Goetzmann, *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 28, 11-12.30 (room tba)	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; shifting all of the weight to the final exam yields an overall result of 55%, which is a pass, and therefore 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 mandatory requirements.

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.

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.

For information on the following topics, go to the Faculty's website www.vuw.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

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.

Lecture Outline & Background Reading

<u>Week Beginning</u>	<u>Subject/Background Reading</u>
Feb 26	Utility Theory E/G Ch 1, 2, 3, 10
March 5, 12, 19	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 26	Other Portfolio Selection Models E/G Ch 11, 21
April 2	International Diversification and Evaluation of Performance E/G Ch 12, 24
April 23	Capital Asset Pricing Models: Theory E/G Ch 13, 14
April 28	EXAM (11-12.30, covering the first six weeks material, room tba)
April 30	Arbitrage Pricing: Theory E/G Ch 16
May 7, 14	Corporate and Equity Valuation E/G Ch 18
May 21	Valuation and use of Options and Option-Type Assets E/G Ch 22
May 28	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.