



School of Economics and Finance

MOFI 305 Investments

Trimester 1 2009

COURSE OUTLINE

Names and Contact Details

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Trimester Dates

Monday 2 March to Wednesday 1 July 2009.

Class times and Room numbers

Lectures: Tue, Wed, Thu 1030 - 1120 Rutherford House [Pipitea] LT2

Tutorials: Will be arranged using the S-cubed system.

Withdrawal dates

Information available via

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

Course content

The following is the timetable for the course, with suggested readings for each section. The readings are fairly extensive, but hopefully should give you plenty of alternative explanations of the material covered in lectures.

Date	Topic	Readings (BKM)
March 3, 4	Introduction and Securities	Chapters 1-2
March 5, 10	Trading	Chapter 3
March 11, 12	Historical returns	Chapter 5
March 17, 18	Preferences	Chapter 6
March 19	Technical Analysis and Day Trading	Section 12.2
March 24, 25	Modern Portfolio Theory	Chapter 7
March 26, 31	Practical Asset Allocation	Chapter 8
April 1	International Investments	Chapter 25
April 2	Investment Horizons	Chapter 26
April 7, 8	The Capital Asset Pricing Model	Chapter 9
April 9	Review	-
April 13-26	MIDTERM BREAK	
April 28	Active portfolio management	Chapter 27
April 29	Multifactor Models of Risk and Return	Chapter 10
April 30	Empirical Performance and Applications	Chapter 13
May 5	Fundamental Analysis	Chapter 19
May 6	Stock Valuation Models	Chapter 18
May 7	Anomalies and Behavioural Finance	Section 12.1 Section 11.4-11.5
May 12	Mutual Funds	Chapter 4
May 13	Performance Evaluation	Chapter 24
May 14	Bond Prices and Yields	Chapter 14
May 19	The term structure of interest rates	Chapter 15
May 20	Bond portfolio management	Chapter 16
May 21, 26	Forward and futures contracts	Chapter 22
May 27	Swaps	Chapter 23
May 28	Options Markets	Chapter 20
June 2, 3	Option Pricing	Chapter 21
June 4	Conclusions	-

These topics represent an optimistic view of material that will be covered in the course, time permitting. If necessary, some topics may be dropped, if we find ourselves behind.

Course Learning Objectives

By the end of the course, students should be able to:

- C1 appreciate the construction of data and use the data as input to the theories taught in this course
- C2 comprehend financial market microstructure, and explain why relevant institutions exist
- C3 analyse the role of utility functions and preferences for risk in the determination of investment decisions
- C4 apply mean-variance portfolio theory to analyse real-world investment problems
- C5 describe and explain the assumptions and reasoning behind the capital asset pricing model, and critically analyse how the model can be extended
- C6 explain the assumptions and reasoning behind the arbitrage pricing theory, analyse how the model can be applied, and critically analyse the empirical debate surrounding the validity of the APT and CAPM
- C7 analyse the reasoning behind technical analysis and behavioural finance, and explain how they challenge the classical theories of finance
- C8 describe the different types of mutual funds available in financial markets, and critically analyse their strengths and weaknesses with reference to the performance of fund managers
- C9 analyse valuations of forward contracts and futures contracts, and explain their use for hedging purposes
- C10 apply the binomial model and Black-Scholes model to value European and American options, and have a basic understanding of delta-hedging.

Topics C1-C5 along with topic C7's coverage of technical analysis will be assessed on the midterm exam, while *all* material will be covered on the final exam.

Although these outlines represent the main objectives of the course, all material covered in lectures is subject to assessment in the course test and exam.

Expected workload

Expected workload for this course is 150 hours.

Readings

The course is based on the following textbook:

- Bodie, Kane and Marcus, "Investments", McGraw-Hill Irwin, 7th Edition [BKM].

Materials and Equipment

Non-programmable calculators are allowed for the midterm and final exams.

Assessment Requirements

Your course mark will be a weighted average, made up as follows:

Tutorial problems:	10%	Ongoing.
Midterm exam:	30%	TBA.
Final exam:	60%	date will be scheduled during the university exam time: 12 June – 1 July (inclusive)

Each tutorial will have a set of problems to be completed prior to tutorial attendance. These will be collected during the tutorials, and marks assigned as 0, 0.5 or 1.0. The final tutorial will be a review tutorial. The total marks for the other ten tutorials will compose the tutorial mark for the course. The examination material will closely follow material covered in tutorials (which in turn will follow material covered in lectures) so if you put in the work here, you will not only score points toward your final grade, but will also improve your final exam score.

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

Examination dates for trimester one: Friday, 12 June to Wednesday, 1 July 2009 (inclusive).

Penalties

Tutorial problems are due at the start of the tutorial. Tutorial problems handed in late will not be marked.

Mandatory course requirements

You must score 0.5 or 1.0 in at least five of the ten tutorial problems.

Communication of additional information

Information on the course, including assignments and lecture notes, will be distributed via blackboard, which can be found at <http://blackboard.vuw.ac.nz/>.

SUPPLEMENTARY INFORMATION

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 <http://www.vuw.ac.nz/policy>.

For information on the following topics, go to the Faculty's website <http://www.vuw.ac.nz/fca>

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

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:
<http://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.

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