

## **VICTORIA INTERNATIONAL APPLIED FINANCE PROGRAMME**

School of Economics and Finance

### **MMAF 516 Portfolio Design & Investments**

Trimester 2 2009

#### **COURSE OUTLINE**

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**Lecturer and Coordinator:** Toby Daghish, RH309, phone 463-5451,  
email: toby.daghish@vuw.ac.nz  
Preferred contact is via e-mail.

**Class times:**

Tuesday 1 September 9am - Thursday 3 September 1pm, MY632 & KK216.  
Tuesday 27 October 9am - Thursday 29 October 1pm, MY632 & KK216.

A detailed schedule for each block release will be supplied closer to the session dates.

**Trimester Dates**

Monday 13 July to Saturday 17 November 2009.

**Course Objectives**

This course focuses on decisions of portfolio management, stock valuation and mutual fund management. The focus of the course is on applications of financial theory to real world decision making. As such, a reasonable amount of excel work will be involved. Students should finish the course with a solid general knowledge of investments.

**Readings**

Readings are taken from the following book, supplemented with lecture materials provided on Blackboard:

- Bodie, Kane and Marcus, "Investments", McGraw-Hill Irwin, 8th Edition [BKM].

**Course Delivery**

The course will be taught in a block release format. Lectures cover theoretical material, while examples of implementation will be covered in the computer lab sessions. Attendance of all block releases is compulsory.

## Assessment Requirements

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

Assignment one:	10%	Monday 17 August.
Midterm exam (2 hours):	30%	Thursday 3 September.
Assignment two:	30%	Monday 12 October.
Final exam (2 hours):	30%	Thursday 29 October

Note: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

## Assignments

Each assignment will be distributed to you at least four weeks in advance of its due date, which will be indicated.

## Penalties

Assignments are due by 4pm on the date specified. Late assignments will incur a penalty of 5% of the final grade per day late. Work submitted more than one week late will not be graded. Assignments may either be submitted hardcopy, in which case we will accept the poststamp as the date of submission, or may be submitted electronically through blackboard as pdf documents. Microsoft word/excel files will *not* be accepted.

## 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)
1 Sep	Returns and Preferences Mean-variance analysis	Chapters 5 & 6 Chapter 7 & 8
2 Sep	Capital Asset Pricing Model Arbitrage Pricing Theory	Chapter 9 Chapter 10
3 Sep	Midterm exam	
27 Oct	Portfolio Selection and Active Management Security Analysis	Chapter 27 Chapter 18 & 19
28 Oct	Mutual Funds and Performance Evaluation Behavioural Finance and Technical Analysis	Chapter 4 & 24 Chapter 11 & 12
29 Oct	Final exam	

Note that this course does not provide extensive coverage of the material contained in the book on derivatives or fixed income securities, since these will be covered in other VIAF courses.

Given the course's block release structure, it is essential to do the readings ahead of the classes.

## Mandatory course requirements

None.

## **Expected workload**

Expected workload for this course is 200 hours.

## **Communication of additional information**

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided online via Blackboard. Students are responsible for logging onto Blackboard regularly to check for any updates or announcements, and for ensuring that the VIAF Senior Administrator has their up to date email and postal addresses. [Viaf-programme@vuw.ac.nz](mailto:Viaf-programme@vuw.ac.nz)

**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](mailto:dawn.lorimer@vuw.ac.nz).**

## **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, and apply the model
- 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 apply the theories covered in the course to value equity securities

Topics C1-C6 will be assessed on the midterm exam. The final exam focuses on material in C7-C9, with reference to topics C1-C6 as they pertain to material covered in the second block's tutorials and lectures. The first assignment will cover topic C2, while the second assignment focuses on topic C4.

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.

## **Materials and Equipment**

Students will require a calculator for the midterm and final exams.

## Examinations

Examinations will take place at the end of each block release. Attendance is compulsory.

## Withdrawal dates

Information available via

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

## 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](mailto:manaaki-pihipihinga-programme@vuw.ac.nz). To contact the Pacific Support Coordinator, phone (04) 463 5842 or email [pacific-support-coord@vuw.ac.nz](mailto:pacific-support-coord@vuw.ac.nz).