

School of Economics and Finance

FINA 305 INVESTMENTS

Trimester 1, 2015

COURSE OUTLINE

Names and Contact Details

| | | | |
|----------------------------------|--|--------|----------|
| Course Coordinator & Lecturer | Hai Lin hai.lin@vuw.ac.nz Office Hours: Tuesdays, Thursdays 11:00-11:50 or by appointment. | RH 302 | 463 5239 |
| Course Administrator | Julie-Mary Boles de Boer Julie-Mary.BolesdeBoer@vuw.ac.nz Office Hours: Monday-Friday 9am-midday and 1-4pm | RH 321 | 463 5380 |

Trimester Dates

Teaching Period: Monday 2nd March – Friday 5th June

Study Period: Monday 8th June – Thursday 11th June

Examination Period: Friday 12th June – Wednesday 1st July (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 13th March 2015.
2. The standard last date for withdrawal from this course is Friday 15th May. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an ‘*Application for Associate Dean’s Permission to Withdraw Late*’ including supporting documentation. The application form is available from either of the Faculty’s Student Customer Service Desks or [online](#).

Class Times and Room Numbers

Lectures: Mondays and Wednesdays 12:40-13:30 in GBLT2 (Government Buildings Lecture Theatre 2)

Tutorials: Sign up for a tutorial on S-cubed. (<http://signups.victoria.ac.nz>).

Course Delivery

The course will consist of lectures, tutorial work, four assignments, one test and a final examination. Formal lecture time will be used to highlight all key ideas. Tutorials will be used to work through examples of how to apply these ideas. Solutions to the assignments and test will be provided via the blackboard.

Expected Workload

This course is a 15-point course. One point is equated to 10 hours of work, which means a total of 150 hours is expected for this course, spread over the 12 teaching weeks, mid-trimester break, study week and the examination period. This involves attending the lectures and tutorials every week, completing all assignments, and preparations for all exams.

Prescription

This course examines the problem of portfolio management confronted by individuals and pension plans. Topics covered include preferences for risk, valuation of stocks, portfolio allocation, and an introduction to derivative pricing. The course aims to provide students with the tools necessary to work in this area, along with a solid grounding in the financial theory behind the models used.

Course Learning Objectives

Students who are successful in this course will be able to:

- C1 describe the different types of mutual funds available in financial markets, and critically analyse their strengths and weaknesses; show how to evaluate the performance of a fund manager.
- C2 use mean-variance portfolio theory to analyse real-world investment problems.
- C3 demonstrate an understanding of portfolio management and pricing in a modern financial market.
- C4 perform security analysis, asset allocation and the pricing of equities and bonds.
- C5 describe and explain the assumptions and reasoning behind the capital asset pricing model, and critically analyse extensions of the model.
- C6 explain the assumptions and reasoning behind the arbitrage pricing theory, show how the model can be applied, and critically analyse the empirical debate surrounding the validity of the APT and CAPM.

Course Content

The content and timing of the course might differ slightly from the information given in the following table

| Week | Date | Topic | Chapters | Test | Assignment | | Tutorials |
|------|-------------------|--------------------------|----------|------|------------|-----------|-----------|
| | | | | | Set | Submitted | |
| 1 | 2, 4 March | Introduction (1) | 1-2 | | | | |
| 2 | 9,11 March | Introduction (2) | 3-4, 26 | | 1 | | T |
| 3 | 16, 18 March | Risk and return | 5 | | | | T |
| 4 | 23, 25 March | Capital allocation | 6 | | 2 | 1 | T |
| 5 | 30 March, 1 April | Optimal risky portfolios | 7 | | | | |
| | | Term break | | | | | |
| 6 | 20, 22 April | CAPM | 9 | | | 2 | |
| 7 | 29 April | APT | 10 | Test | 3 | | T |
| 8 | 4, 6 May | EMH | 11 | | | | T |
| 9 | 11, 13 May | Behaviour finance | 12-13 | | | 3 | T |
| 10 | 18, 20 May | Bond Prices and yields | 14 | | 4 | | T |
| 11 | 25, 27 May | Term structure | 15 | | | | T |
| 12 | 3 June | Equity valuation model | 18 | | | 4 | |

Readings

The prescribed text for this course is: “Investments” by Bodie, Z., Kane, M. and Marcus, A.J. 10th edition, McGraw-Hill Irwin, 2013, which is available in the library as well as at VicBooks (ground floor of Rutherford House at the Pipitea Campus).

Another useful reference is “Analysis of Investments and Management of Portfolios” by Brown, K. C. and Reilly, F. K., 9th edition, South-Western Cengage Learning, 2009. It is available in the library.

Materials and Equipment

Students will be permitted to use electronic calculators during tests and the exam. These calculators must be non-programmable and cleared of memory prior to the tests and exam. Lecture slides, solutions to the assignments and test will be posted on Blackboard.

Assessment

The Assessment Handbook will apply to all VUW courses: see

<http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

Assessment Requirements

- **Four assignments** worth 10% of the final grade (each assignment worth 2.5%) (CLO 1, 2, 3, 4, 5, 6)
- **A mid-term test** worth 30% of the final grade. The mid-term test will be taken on 8 May and will cover all material up to and including week 7 (CLO 1, 2, 3, 4, 5, 6). **Time and location to be advised.**
- **A final examination** worth 60% of the final grade: the final examination will cover **all** material covered in the lectures, tutorials, tests and practice exercises; the final examination is a closed book, 2 hour, comprehensive exam (CLO 1, 2, 3, 4, 5, 6). **Date to be advised (see ‘Examinations’ below).**

Assignments will usually be set on Friday, normally to be submitted into the assigned box on the Mezzanine floor in Rutherford House no later than 5 p.m. on the Friday two weeks later. Late assignments will not be accepted, and answers will be posted on the blackboard.

Assignments that appear to be copied will be marked as zero. Appeals on assignment marking may be made to the coordinator, associate professor Hai Lin (Hai.lin@vuw.ac.nz).

Penalties

Late assignment submissions are not accepted.

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. The final examination for this course will be scheduled at some time during the following period:

Friday 12th June – Wednesday 1st July (inclusive)

Mandatory Course Requirements

A minimum of 45% must be achieved on the final exam.

If you cannot complete an assignment or sit a test or examination, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

Class Representative

A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the course coordinator and the class. The class representative provides a communication channel to liaise with the course coordinator on behalf of students.

Communication of Additional Information

Additional information concerning this course will be provided in lectures and posted on Blackboard: <http://blackboard.vuw.ac.nz>. Urgent notices will be circulated by email.

Student feedback

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php

Link to general information

For general information about course-related matters, go to <http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Note to Students

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 academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.
