

School of Economics and Finance

FINA 305

Trimester 1, 2016

COURSE OUTLINE

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 Set	Assignment Submitted	Tutorials
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 March, 1 April	Capital allocation	6		2	1	T
Easter Break: 24 March—30 March							
5	6, 8 April	Optimal risky portfolios	7				T
6	13, 15 April	CAPM	9			2	T
7	20 April	APT	10	Test			
Term break							
8	4, 6 May	EMH	11		3		
9	11, 13 May	Behaviour finance	12-13				T
10	18, 20 May	Bond Prices and yields	14		4	3	T
11	25, 27 May	Term structure	15				T
12	1, 3 June	Equity valuation model	18			4	

Trimester Dates

Teaching Period: Monday 29th February – Friday 3rd June

Study Period: Monday 6th June – Thursday 9th June

Examination Period: Friday 10th June – Wednesday 29th June (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 11th March 2016.
2. The standard last date for withdrawal from this course is Friday 13th May 2016. 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](#).

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.	RWW216	463 5239
Course Administrator	Debbie Turner Debbie.Turner@vuw.ac.nz Office Hours: Monday-Friday 9am-midday and 1-3pm	RWW111	463 6386

Class Times and Room Numbers

Lectures: Wednesdays and Fridays 10:30-11:20 Rutherford House RHLT2.

Tutorials: Sign up for a tutorial on MyAllocator.

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.

Readings

The prescribed text for this course is: “Investments” by Bodie, Z., Kane, M. and Marcus, A.J. 10th edition, McGraw-Hill Irwin, 2013.

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.

Mandatory course requirements

In addition to achieving an overall pass mark of at least 50%, students must achieve a minimum of 45% on the final exam to pass the course.

If you believe that exceptional circumstances may prevent you from meeting the mandatory course requirements, contact the Course Coordinator for advice as soon as possible.

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

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, Easter break, 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.

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 cover all material up to and including week 6 (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 1st Floor of the Railway Building 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).

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 10th June – Wednesday 29th June (inclusive)

Penalties

Late assignment submissions are not accepted.

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

Student feedback

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

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.

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.
