

School of Economics and Finance
FINA 404 & MMAF 529 Portfolio Theory

Trimester 2 2016

COURSE OUTLINE

Prescription

This course provides a rigorous examination of modern research in long-run asset allocation, focusing on the prescriptive role of theory in aiding investment decisions and the explanatory role of theory in resolving or highlighting empirical anomalies.

Course Learning Objectives

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

- C1 Understand the distinction between myopic and dynamic portfolio decision problems, and demonstrate why these distinctions are important in practice.
- C2 Solve dynamic programming problems in order to construct optimal dynamic portfolios.
- C3 Form optimal portfolios in the presence of long-lived securities.
- C4 Incorporate return predictability into portfolio allocation decisions.
- C5 Make portfolio decisions in the presence of labour income considerations.
- C6 Apply theoretical models of portfolio choice empirically.

Course content

Date	Lecture	Readings
14 July	Introduction	Chapter 1
21 July	Myopic choice	Chapter 2
28 July	Myopic choice, cont'd	
4 August	Who should hold long term bonds? <i>Assignment 1 due</i>	Chapter 3
11 August	Who should hold long term bonds?, cont'd	
18 August	Midterm exam	–
Midtrimester break	–	–
8 September	Is the stock market safer for longer term investors?	Chapter 4
15 September	Is the stock market safer for longer term investors?, cont'd	
22 September	Strategic asset allocation in continuous time <i>Assignment 2 due</i>	Chapter 5
29 September	Strategic asset allocation in continuous time	
6 October	Human wealth and financial wealth <i>Assignment 3 due</i>	Chapter 6
13 October	Investing for retirement	Chapter 7

Trimester Dates

Teaching Period: Monday 11th July – Friday 14th October

Study Period: Monday 17th October – Thursday 20th October

Examination Period: Friday 21st October – Saturday 12th November (inclusive)

Withdrawal from the course

Your fees will be refunded if you withdraw from this course on or before Friday 22nd July 2016.

The standard last date for withdrawal from this course is Friday 23rd September 2016. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on the form '*Application for Associate Dean's permission to Withdraw Late*' including supporting documentation. This application form is available from either of the Faculty's Student Customer Service Desks or online

Names and Contact Details

Lecturer and Coordinator: Toby Daghish, RW210, phone 463-5451,
email: toby.daghish@vuw.ac.nz

Administrator: Debbie Turner, RW111, phone 463-6386,
email: debbie.turner@vuw.ac.nz

Class times and Room numbers

Thursday 9:30-11:20 RWW314

Course delivery

The course is composed of 11 lectures.

Readings

Readings are taken from the textbook

- J. Campbell and L. Viceira, "Strategic Asset Allocation", Oxford University Press.

Mandatory course requirements

None.

Expected workload

For students taking FINA404, expected workload for this course is 150 hours: 24 hours of lectures and midterm, 2 hours of exams, and 124 hours of study/work on assignments. Students taking the course as MMAF529 have an expected workload of 200 hours: 24 hours of lectures and midterm, 2 hours of exams, and 174 hours of study/work on assignments.

Assessment

The Assessment Handbook will apply to all VUW courses: see

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

For FINA401 students, your course mark will be a weighted average, made up as follows:

- 3 assignments (36%)
- 1 midterm exam (32%)
- 1 final exam (32%)

For MMAF529 students, the weighting is:

- 3 assignments (48%)
- 1 midterm exam (26%)
- 1 final exam (26%)

MMAF529 assignments will contain extra material over and above FINA401 assignments.

The assignments are due at the beginning of the class mentioned in the outline unless you have made a prior arrangement.

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 period from Friday 21st October – Saturday 12th November (inclusive).

Penalties

Failure to hand in a piece of assessment by the due date will result in a 20% penalty in grade by day overdue.

Group Work

There is no group work in this course.

Use of Turnitin

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 compares submitted work with a very large database

of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and submitted to Turnitin. A copy of submitted materials will be retained 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.

Materials and Equipment

Non-programmable calculators are required for the final exam.

Student feedback

This is the first time this course has been offered by this lecturer.

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 persons 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 will be conveyed via Blackboard.

Link to general information

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