Unit Outline*

FINA7481

Advanced Investments

Semester 1, 2011
Crawley

Richard Heaney

Business School
www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site http://www.business.uwa.edu.au/students
UNIT DESCRIPTION

Introduction
Welcome! I hope that you enjoy Advanced Investments. You should find this unit both interesting and challenging as it extends and expands upon the concepts and issues introduced in previous study in the area of investments. While there is a strong emphasis on theory in this course it is important that you take the time to think about how the material covered in this course might be applied to investment decisions including portfolio construction and assessment of portfolio performance.

Unit content
We focus on equity markets and address three “big questions” in investment finance:
1. Why do returns vary through time?
2. Why do returns differ between portfolios?
3. Are markets efficient?

The goal of the unit
The main goal of the unit is to develop your understanding of the importance of asset pricing models in explaining returns across portfolios and over time. The course will also develop your understanding of the changing nature of the concept of market efficiency in the study of investments. It is important that you are able to recognise the impact of behavioural finance on investment decisions as this will help you to develop a deeper understanding of asset pricing and market efficiency. This course will expose students to a number of unsolved questions, as well as clarifying and expanding upon the work covered in prior study.

Learning outcomes
On completion of this unit, you should be able to:
• appraise and integrate the papers studied in Advanced Investments;
• critically evaluate the reasoning and empirical analysis evident in the literature that we discuss in Advanced Investments;
• respond to the three “big questions” posed in Advanced Investments with reference to the literature covered in the course;
• appraise and criticize advanced research in Investment Finance; and
• complete a simple empirical research based team assignment in the area of Investment Finance.

The final exam and mid-semester exam will assess how well students meet each of the first four learning outcomes. The two individual presentations will help students to hone these skills as they work through the reading material set for the semester. The team assignment focuses on the final learning outcome and will help students to better understand some of the issues that empirical researchers must deal with when undertaking research in investments.

Educational principles and graduate attributes
In this unit, you will be encouraged and helped to develop the ability and desire to:
• Develop more effective communication skills through your class presentations;
• Critically evaluate and discuss problems relevant to a study of investments that are set for each class; and
• Develop competencies to work more effectively in teams through the completion of a team assignment relating to a specific investments based research question.

TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

Teaching and learning strategies include:

• Discussion in seminars: Student will attend weekly seminars and take an active part in discussions.

• Individual presentations: Each student is required to complete at least two individual research paper presentations. This activity provides students with the opportunity to develop critical thinking and presentation skills.

• Mid-semester examination: This provides an early assessment of student progress in the course. It provides an important opportunity for feedback so that students can identify gaps in their understanding of the key concepts in the course.

• Team assignment: The team assignment involves the use of data to test a theoretical question related to the course. This involves calculation and analysis of share returns culminating in the preparation of a short ten-page report. This assignment is designed to provide students with insight into the research process, within a team environment, and to further develop critical thinking and writing skills.

Individual presentations develop student confidence in presenting technical material to their colleagues. The team assignment develops student confidence in their ability to apply what is learnt in the course to a practical problem and to present their findings both verbally and in writing. These skills are critical both in future research and in the workplace. Feedback from the mid-semester examination and individual presentations will help students in developing a deeper understanding of the course material.

Teaching and learning evaluation

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students’ Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

This unit is periodically evaluated and the feedback from students is taken into account when the unit is updated. Recent improvements to the course include the addition of a considerable section on behavioural finance which is of considerable relevance to those interested in studying investments.

Attendance

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process, therefore it is important that you attend classes. More formally, the University regulations state that ‘to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials’.
CONTACT DETAILS

We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name:</strong></td>
<td>Richard Heaney</td>
</tr>
<tr>
<td><strong>Email:</strong></td>
<td><a href="mailto:Richard.Heaney@uwa.edu.au">Richard.Heaney@uwa.edu.au</a></td>
</tr>
<tr>
<td><strong>Phone:</strong></td>
<td>6488 2902</td>
</tr>
<tr>
<td><strong>Consultation hours:</strong></td>
<td>Thursday, 2 PM to 4 PM</td>
</tr>
<tr>
<td><strong>Lecture times:</strong></td>
<td>Thursday, 9 AM to 12 PM, except for the class in the week ending 14 May 2011, when the class will be held on Monday, 9 May 2011, 3 PM to 6 PM.</td>
</tr>
<tr>
<td><strong>Lecture venue:</strong></td>
<td>Normal Thursday lecture venue is BUSN 2.42, except for the lecture set for Monday, 9 May 2011. In this case the venue is BUSN G.42.</td>
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TEXTBOOK(S) AND RESOURCES

Unit website

http://www.webct.uwa.edu.au

Recommended text(s)


Software requirements

Students will need access to excel and word. It would also be useful if students have access to a statistics package such as SAS or EVIEWS though EXCEL will be used in most instances in class.
Additional resources and reading material

- Investment Analysis Investment Analysis FINA3324 (the course formerly known as 460.324) or equivalent.
- A Basic statistics or econometrics text book which might include one or more of the following:
- Familiarity with the classic efficient markets work of Eugene Fama
## UNIT SCHEDULE

<table>
<thead>
<tr>
<th>Week #</th>
<th>Topic</th>
<th>Readings set for the week</th>
</tr>
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</table>
6  Topic 2 - Liquidity


7  Mid-semester examination

8  Topic 2 - Momentum


9  Topic 3 - Behavioural Finance


10  Topic 3 - Behavioural Finance


11 Topic 3 – Experimental studies


12 Topic 3 - Experimental studies


13 Conclusion

ASSESSMENT MECHANISM

The purpose of assessment

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work provides you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

The first four learning outcomes will be assessed in both the mid-semester and the final examination. The final learning outcome will be assessed on completion of the team assignment that is set as part of the course.

The team assignment is a critical element of the course as it helps to prepare students for the inevitable teamwork that occurs in later research following completion of the honours year. The production of a short research report for the assignment also ensures that students gain a sense of the process of research that is commonly found in investments and the need to carefully document the research.

Assessment mechanism summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
<th>Due date</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual presentations</td>
<td>10%</td>
<td>As organised with students in the first lecture</td>
<td>Papers allocated to students in seminar on Thursday, 3 Mar 2011</td>
</tr>
<tr>
<td>Team assignment report</td>
<td>10%</td>
<td>Thursday 5 May 2011</td>
<td>The team assignment will be handed in at the Thursday, 5 May 2011, seminar. The front page of the submission should include a list of the names as well as the student numbers of the team members.</td>
</tr>
<tr>
<td>Mid-semester exam</td>
<td>20%</td>
<td>Thursday 14 Apr 2011</td>
<td>The mid-semester exam will be held in the ordinary seminar time. There will be no lectures or discussion set for this day. The exam will cover material discussed in teaching weeks one (1) through five (5) inclusive.</td>
</tr>
<tr>
<td>Final exam</td>
<td>60%</td>
<td>Exam time to be set by UWA Examinations Office</td>
<td>This will cover all material dealt with in the course from week one (1) through to week thirteen (13).</td>
</tr>
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Note 1: Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

Note 2: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the unit.
Assessment components

Assessment item 1
• Individual presentations: Each student will complete at least two research paper presentations to the class over the semester. Each presentation must include a succinct summary of the paper, an analysis of the strengths and weaknesses of the paper and an assessment of the importance of the paper within the literature. The presentation should take no more than 20 minutes.
• Marking criteria: A grade out of 10% will be allocated equally across the presentations that the student completes. The final grade for each presentation will be based on a student’s ability to meet the requirements set out in the first four learning outcomes. Students will be notified of their grade on completion of each presentation on WEBCT.

Assessment item 2
• Team assignment report: Students will form into teams for this task. Each team will be allocated data and a research question that they must address. The team assignment report, consisting of no more than ten (10) pages, will include a (1) brief literature review, (2) data description, (3) analysis, (4) findings/conclusions and a (5) policy section where students are encouraged to consider the policy implications of their findings (either at the firm or government level). This will be handed in at the beginning of the seminar on Thursday, 5 May 2011.
• Marking criteria: The assignment will be graded out of a maximum of 10% and the grade will be set on the basis of the ability of the team to address the research question and to achieve the learning outcomes set for the course. This assignment focuses on all five of the learning outcomes though special emphasis is placed on achievement with respect to the 5th learning outcome. Students will be notified of their grade by week eleven (11). Where a submission includes more than 10 pages, pages 11 and onwards will not be read. Each team consists of four (4) members, where possible, and team assignment marks are allocated equally to all members of the team. Any disputes will be solved within the team where possible, though the unit coordinator will make a final decision where the group is unable to settle the problem internally. Students will be notified of their grade by the end of week eleven on WEBCT.

Assessment item 3
• Mid-semester exam: (Duration: 2 hours and 10 minutes.) This will be held during the seminar period set for Thursday, 14 April 2011 (week 7). The exam will cover material discussed in teaching weeks one (1) through five (5) inclusive.
• Marking criteria: The mid semester will be marked with a maximum of 20% allocated to this assessment item. Grades are allocated on the ability students show in achieving the first four learning outcomes. Students will be notified of their grade by week nine (9) on WEBCT.

Assessment item 4
• Final exam: (Duration: 3 hours and 10 minutes.) This will be held during the normal exam period and will be invigilated in the usual manner for end of semester exams. The exam will cover all material set for weeks one (1) through thirteen (13) inclusive.
• Marking criteria: There will be 60% of the final grade allocated to this assessment item with grades being allocated based on the ability of the students to achieving the learning outcomes set for the course.

Submission of assignments

Please remember to attach a Team Assignment Cover Sheet to the front of your team assignment. You can download and print your Assignment Cover Sheet from the Current Students web page http://www.business.uwa.edu.au/students/assessments
The Team assignment must be handed in during the lecture set for the Thursday, 5 May 2011.

**Student Guild**

Phone: (+61 8) 6488 2295  
Facsimile: (+61 8) 6488 1041  
E-mail: enquiries@guild.uwa.edu.au  
Website: [http://www.guild.uwa.edu.au](http://www.guild.uwa.edu.au)

**Charter of Student Rights and Responsibilities**

The Charter of Student Rights and Responsibilities outlines the fundamental rights and responsibilities of students who undertake their education at UWA (refer [http://handbooks.uwa.edu.au/undergraduate/poliproc/policies/StudentRights](http://handbooks.uwa.edu.au/undergraduate/poliproc/policies/StudentRights)).

**Appeals against academic assessment**

The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status (refer [http://www.secretariat.uwa.edu.au/home/policies/appeals](http://www.secretariat.uwa.edu.au/home/policies/appeals)).