FINM3008
Portfolio Construction

Portfolio Construction is a capstone elective that draws on previously studied investment principles, theories and techniques. The objective of this course is to enable students to synthesize the acquired financial theories and knowledge in the context of portfolio construction and asset allocation. It focuses on gaps in theory and how they can be managed in practice. Examples include challenges/realities in estimating and implementing portfolio optimization programs, role of liquidity, and importance of plan governance. It covers topics such as types of investors and their objectives; dimensions of risk; asset allocation; the nature and role of various asset classes (equity, fixed income, alternative assets, FX); building multi-manager portfolios, and implementation issues.

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>On campus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prerequisites</td>
<td>FINM2001 and FINM2003</td>
</tr>
<tr>
<td>Incompatible Courses</td>
<td>N/A</td>
</tr>
<tr>
<td>Co-taught Courses</td>
<td>FINM8016. Graduate students attend joint classes with undergraduates but are assessed separately.</td>
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<tr>
<td>Course Convener:</td>
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<tr>
<td>Office hours for student consultation:</td>
<td>TBA. See Wattle for update.</td>
</tr>
<tr>
<td>Research Interests</td>
<td>Corporate Finance and Corporate Governance</td>
</tr>
<tr>
<td>Relevant administrator</td>
<td>Ms. Maria Lander</td>
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</tr>
</tbody>
</table>

SEMESTER 2 2017
http://programsandcourses.anu.edu.au/course/FINM3008
COURSE OVERVIEW

Learning Outcomes
Upon successful completion of the requirements for this course, students should have the knowledge and skills to:
1. Understand and implement portfolio construction at the overall plan level, taking into account investor objectives and the practical challenges of implementation;
2. Appreciate the use and limitations of portfolio theory;
3. Describe the main characteristics of key asset classes, and the role they each play within a balanced portfolio;
4. Communicate complex portfolio structures and strategies to a diverse audience; and,
5. Work independently and collaboratively to collect, process, interpret and communicate the outcomes of financial problems.

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Value</th>
<th>Due Date</th>
<th>Date for Return of Assessment</th>
<th>Linked Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Assignment</td>
<td>30%</td>
<td>2:00 pm, Oct. 20\textsuperscript{th} 2017 (Friday, week 11)</td>
<td>TBA, before final exam</td>
<td>1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>2. Tutorial quizzes</td>
<td>15%</td>
<td>In class, week 5, 8 and 12</td>
<td>Tutorial of the following week</td>
<td>2, 3</td>
</tr>
<tr>
<td>(optional and redeemable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Final Exam</td>
<td>55%</td>
<td>TBA.</td>
<td>TBA.</td>
<td>1, 2, 3</td>
</tr>
</tbody>
</table>

Research-Led Teaching
Students undertaking this course will be taught fundamental skills in Finance that will be applied to many real life applications. The course materials draw on recent concepts, issues and practical information on portfolio construction and asset allocation from various sources, including academic papers, industry research publications and CFA materials. Students are required to read and understand these materials and apply their understanding to tutorial tasks designed to reflect a real life environment.

Feedback

Staff Feedback
Students will be given feedback in the following forms in this course: 1) written feedback; and 2) verbal feedback.

Student Feedback
ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.
For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to
http://unistats.anu.edu.au/surveys/selt/students/ and
http://unistats.anu.edu.au/surveys/selt/results/learning/

Policies

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at:
http://policies.anu.edu.au/

Students are expected to have read the Academic Misconduct Rule before the commencement of their course.

- Student Assessment (Coursework)
- Student Surveys and Evaluations

Examination material or equipment

The quizzes will be closed book with no formula sheet. Students are expected to bring a non-programmable calculator to the quizzes. No phones or tablets are allowed during quizzes. The final exam will be closed book with no formula sheet. Students will be allowed a two-sided A4 page of notes. Further details will be available on Wattle closer to the exam dates.
## COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic of Lecture</th>
<th>Workshop*</th>
<th>Assessment</th>
</tr>
</thead>
</table>
| 1    | Course introduction  
Overview of portfolio management | | |
| 2    | Objectives, Dimensions of risk  
Excel functions and formulas; arithmetic vs geometric returns | | |
| 3    | Asset allocation:  
Theory and practice  
Mean-variance model  
Excel “solver” | | |
| 4    | Asset allocation:  
Asset assumptions  
Introduction of the assignment | | |
| 5    | Asset allocation:  
Additional methods  
Alpha and Beta  
Assignment | | Quiz #1 (topic 1-3) |
| 6    | Traditional assets: Equities  
Assignment | Teaching Break Sep. 4th – Sep. 15th 2017 |
| 7    | Traditional assets: Fixed income  
Assignment | | |
| 8^   | Alternative assets:  
Overview  
Property  
Infrastructure  
Assignment or make-up lecture  
Quiz #2 (topic 4-6) | | |
| 9^   | Alternative assets continued:  
Hedge funds  
Private equity  
Commodities  
Assignment or make-up lecture | | |
| 10   | Global investing and currency hedging  
Assignment | | |
| 11   | Portfolio structure within asset classes  
Investment process and style  
Building portfolios of managers  
Active versus passive  
Assignment due | | |
| 12   | Other topics  
Final exam review  
Quiz #3 (topic 7-10) | | |

*The workshop activities shown are indicative only. Announcement will be made prior to each workshop.

^These lectures fall on public holidays. The lecturer will seek to reschedule these lectures to an alternative date with minimum timetable clash. If it is difficult to reschedule the lectures, the Workshop in the same week as these lectures will be used for the make-up lecture.

## ASSESSMENT REQUIREMENTS

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University’s approach to managing Academic Integrity. For additional information regarding Turnitin please visit the [ANU Online website](https://www.anu.edu.au/).
Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

**As a further academic integrity control, students may be selected for a 15 minute individual oral examination of their written assessment submissions.**

Any student identified, either during the current semester or in retrospect, as having used ghost writing services will be investigated under the University's Academic Misconduct Rule.

**Assessment Tasks**

**Assessment Task 1: Assignment**

**Details of task:** The assignment involves writing a report that provides portfolio construction advice. The assignment is to be done in groups of 4 - 6 students. All students **MUST** sign up for an assignment group within the enrolled cohort (FINM3008 or FINM8016) at Wattle by week 4. A dedicated Students Forum is created to facilitate group forming at Wattle. Signing up for assignment groups is not restricted by tutorial enrolment. If you have to do the assignment as an individual task due to any reason, you need the lecturer’s approval to do so. Otherwise all students who do not sign up for an assignment group will be randomly allocated to a group by the end of week 4. It is the students’ responsibility to contact with other group members.

**Assessment Rubrics**

The assignment will be graded out of 100 marks on the basis of how well the students synthesize the understanding of both concepts and technical skills in the context of portfolio construction. All students in one team will be awarded the same assignment grade, with no adjustments. Further details will be made available when the assignment is outlined.

**Assessment Task 2: Tutorial quizzes**

**Details of task:** Optional and redeemable. If redeemed, the weight of quizzes will be allocated to the final exam. Students may choose to sit up to three quizzes. The results of the quizzes that produce higher grade than the final exam will be counted in the course grade. Each quiz is worth 5% in the overall course assessment. Students who sit less than three quizzes will have the weight of missed quiz moved to the final exam. The primary objective of the quizzes is to serve as a progress check throughout the semester. They also help students familiarize with the format and practise calculation and written questions as in the final exam. The quizzes are closed-book exams of 20-minute duration. The formats may include multiple choices, True/False, short written (calculation maybe required) questions. Instead of the one-shot final exam, students are given the chance to practise and improve along the semester. Details of each quiz will be provided one week ahead. **Important:** to have a valid quiz mark, students must sit the quizzes in their enrolled tutorials, otherwise the quiz will not be marked and a zero mark will be recorded. If your tutorial falls on a public holiday, you can attend any tutorial class during the week to do the quiz. It is the students’ responsibility to notify the tutor of the desired tutorial to do the quiz (so that the staff can have extra quiz paper ready for you). Otherwise, there is no guarantee that you can do the quiz at the desired time. A supplementary quiz is only provided on a case by case basis when the student has satisfactory evidence to show that he/she could not attend any tutorial during the week due to uncontrollable reasons. The arrangement must be made **before** the usual enrolled tutorial.
Examination(s)

The final exam will be closed book with no formula sheet. Students will be allowed a two-sided A4 page of notes. A mixture of theoretical and practical questions will be asked. Students will need to review all examinable materials pertaining to the course. More details will be provided as the exam approaches.

Assignment submission

Online Submission: Assignments are submitted using the course Wattle site. Hard copy or email submission is only acceptable by the approval of the lecturer before the assignment is due on a case by case basis. Only one submission is required from each group. Please keep a copy of the assignment for your records. Important: to correctly record assignment marks in the Gradebook, each student must sign up for a Group on Wattle, including one-person groups.

Extensions and penalties

Extensions and late submission of assessment pieces are covered by the Student Assessment (Coursework) Policy and Procedure.

The Course Convener may grant extensions for assessment pieces that are not examinations or take-home examinations. If you need an extension, you must request it in writing on or before the due date. If you have documented and appropriate medical evidence that demonstrates you were not able to request an extension on or before the due date, you may be able to request it after the due date.

Extension of the assignment is not usually considered by the lecturer as the assignment is done by a large group of students. Other group members are expected to complete the tasks even if one or more members were not able to due to uncontrollable reasons.

Late submission of assessment tasks without an extension are penalised at the rate of 5% of the possible marks available per working day or part thereof. Late submission of assessment tasks is not accepted after 10 working days after the due date, or on or after the date specified in the course outline for the return of the assessment item.

Returning assignments

Feedback on the assignment will be returned via Wattle, before the final exam.

Resubmission of assignments

No resubmission of assignment is accepted.

Referencing requirements

References must be acknowledged and included in a reference list where information or opinions provided by others are used or relied upon. Consistent Harvard referencing style is required.

Tutorials

The tutorial exercises consist of two types of tasks: discussion questions and learning-by-doing Excel based questions. The purposes of the tutorial exercises are two-fold: firstly, give you the exposure of Excel-based quantitative modelling in portfolio analysis which prepares you for the assignment; secondly, help you understand the theories and practices discussed in the lectures using real-world data. Additionally, some calculations from the tutorial exercises are examinable in the quizzes and the final examination.
To help you work with Excel, videos of conducting the required analysis using a dummy sample are provided. You are expected to attempt the tutorial exercises either before or after watching these videos, well before the relevant tutorials, as the time in tutorials are limited and will be dedicated to the discussion questions. Three in-class quizzes are scheduled for tutorials in week 5, 8 and 12. Time constraint will not allow your tutor to go too much into the Excel work. Therefore you are strongly suggested to learn and practise following the lecture/tutorial schedule.

Workshops

Workshop is the dedicated forum to help you with your assignment. The lecturer may discuss some popular questions regarding the assignment and provide guidance tackling these problems. At least one member from each group should attend the workshop, although all are encouraged to present. Workshops will be recorded. Students are encouraged to send assignment questions to the lecturer to make the workshop more relevant (but the lecturer would not answer complicated questions or those related to Excel that go beyond a straightforward answer by email).

Consultations

All questions regarding the tutorials should be directed to your tutor.

All questions regarding the lectures and the assignment should be directed to the lecturer. Important: before coming to the lecturer’s consultations, make sure you have reviewed all lecture/tutorial/workshop materials and recordings. If you ask an assignment question that has been discussed in workshops you will be asked to listen to the recordings. You are in a large class of 300+ students. This policy is to improve the efficiency of using the lecturer’s time and give the students who do need face-to-face time with the lecturer a fair chance. The lecturer would very much appreciate your understanding and cooperation.

Reading List

The Course Reading List will be provided on Wattle. The list is divided into ‘examinable’ and ‘supplementary’ readings. Examinable readings may be directly tested in the quizzes and the final examination. Supplementary materials are provided for additional information and/or assistance in preparation of the assignment or tutorials, and will not be directly tested in quizzes or final examination beyond the extent covered in the lectures, workshops or tutorials. Additional course readings may be made available during the semester. Students should check Wattle to ensure they are using an up-to-date reading list.

Readings will come from a range of sources, including journal and industry articles, websites and a textbook (purchase optional). With the exception of the textbook, all readings will be provided on Wattle. Examinable readings from the textbook will be made available on Wattle. For supplementary readings from the textbook, copies of the book will be available for short-term loan at Chifley library, for those students who choose not to purchase the textbook. The textbook is Stewart, S., Piros, C. and Heisler, J., Running Money: Professional Portfolio Management, McGraw Hill, 2009 [denoted ‘SPH’].

Scaling

Your final mark for the course will be based on the raw marks allocated for each of your assessment items. However, your final mark may not be the same number as produced by that formula, as marks may be scaled. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will
exceed the scaled mark of that student), and may be either up or down.

**Privacy Notice**

The ANU has made a number of third party, online, databases available for students to use. Use of each online database is conditional on student end users first agreeing to the database licensor’s terms of service and/or privacy policy. Students should read these carefully.

In some cases student end users will be required to register an account with the database licensor and submit personal information, including their: first name; last name; ANU email address; and other information.

In cases where student end users are asked to submit ‘content’ to a database, such as an assignment or short answers, the database licensor may only use the student’s ‘content’ in accordance with the terms of service – including any (copyright) licence the student grants to the database licensor.

Any personal information or content a student submits may be stored by the licensor, potentially offshore, and will be used to process the database service in accordance with the licensors terms of service and/or privacy policy.

If any student chooses not to agree to the database licensor’s terms of service or privacy policy, the student will not be able to access and use the database. In these circumstances students should contact their lecturer to enquire about alternative arrangements that are available.

**Tutorial Seminar Registration**

Tutorial signup for this course will be done via the Wattle website. Detailed information about signup times will be provided on Wattle or during your first lecture. When tutorials are available for enrolment, follow these steps:

1. Log on to Wattle, and go to the course site
2. Click on the link “Tutorial enrolment”
3. On the right of the screen, click on the tab “Become Member of…..” for the tutorial class you wish to enter
4. Confirm your choice

If you need to change your enrolment, you will be able to do so by clicking on the tab “Leave group…..” and then re-enrol in another group. You will not be able to enrol in groups that have reached their maximum number. Please note that enrolment in ISIS must be finalised for you to have access to Wattle.

**SUPPORT FOR STUDENTS**

The University offers a number of support services for students. Information on these is available online from [http://students.anu.edu.au/studentlife/](http://students.anu.edu.au/studentlife/)