Applied 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><strong>Mode of Delivery</strong></th>
<th>On campus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prerequisites</strong></td>
<td>FINM7006, FINM7007 and FINM7008</td>
</tr>
<tr>
<td><strong>Incompatible Courses</strong></td>
<td>FINM3008</td>
</tr>
<tr>
<td><strong>Co-taught Courses</strong></td>
<td>FINM3008. Graduate students attend joint classes with undergraduates but are assessed separately.</td>
</tr>
<tr>
<td><strong>Course Convener:</strong></td>
<td>Dr. Hua Deng</td>
</tr>
<tr>
<td><strong>Phone:</strong></td>
<td>6125 6700</td>
</tr>
<tr>
<td><strong>Email:</strong></td>
<td><a href="mailto:Hua.deng@anu.edu.au">Hua.deng@anu.edu.au</a></td>
</tr>
<tr>
<td><strong>Office hours for student consultation:</strong></td>
<td>To be confirmed when all tutorials are finalized. See Wattle for update.</td>
</tr>
<tr>
<td><strong>Research Interests</strong></td>
<td>Corporate Finance and Corporate Governance</td>
</tr>
<tr>
<td><strong>Course Administration</strong></td>
<td>Smriti Bajracharya</td>
</tr>
<tr>
<td></td>
<td>Level 4, CBE Building 26C</td>
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</tr>
</tbody>
</table>

SEMESTER 1 2018

http://programsandcourses.anu.edu.au/course/FINM8016
COURSE OVERVIEW

Learning Outcomes

Upon successful completion of the requirements for this course, students should have the knowledge and skills to:

1. Communicate and implement portfolio construction at the overall plan level, taking into account investor objectives and the practical challenges of implementation.
2. Communicate the use and limitations of portfolio theory.
3. Comprehensively understand 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.

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, May 18th 2018</td>
<td>TBA, before final exam</td>
<td>1, 2, 3, 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Friday, week 11)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Mid-semester Exam (optional and redeemable)</td>
<td>20%</td>
<td>Week 6 or 7, subject to the schedule of the examination office.</td>
<td>TBA.</td>
<td>2, 3</td>
</tr>
<tr>
<td>3. Final Exam</td>
<td>50%</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/](http://policies.anu.edu.au/)

Students are expected to have read the [Academic Misconduct Rule](http://policies.anu.edu.au/) before the commencement of their course.

Other key policies include:

- Student Assessment (Coursework)
- Student Surveys and Evaluations

Examination material or equipment

The mid-semester exam will be closed book with no formula sheet. Students are allowed to bring one A4 page of notes (one side only). 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.
<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; Different forms of 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 | |
| 6    | Traditional assets: Equities | Public Holiday | Mid-semester exam, tentative |
|      | Teaching Break 2 – 13 April 2018 | | |
| 7    | Traditional assets: Fixed income | Assignment | |
| 8^^  | Alternative assets:  
Overview  
Property  
Infrastructure | Assignment and make-up lecture | |
| 9    | Alternative assets continued:  
Hedge funds  
Private equity  
Commodities | Assignment | |
| 10   | Global investing and currency hedging; The investment process | Assignment | |
| 11   | Other topics part 1:  
Multi-manager investment  
Active versus passive  
Investment costs  
Ethics and governance | Assignment due | |
| 12   | Other topics part 2:  
Rebalancing  
Performance evaluation  
Investor biases | Final exam review | |

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

^ 6 March 2018, Tuesday, Llewellyn Hall not available. The workshop on Friday will be used to cover the whole lecture.

^^ 25 April 2018, Wednesday, Anzac Day, public holiday. The workshop on Friday will be used to cover the whole 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.

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: Mid-semester exam

Details of task: Mid-semester exams are redeemable and optional for this course. No deferred mid-semester examinations will be offered, instead the weighting will be moved to the final exam. The mid-semester exam will be closed book with no formula sheet. Students will be allowed a one-sided A4 page of notes. A mixture of theoretical and practical questions will be asked, covering all materials from week 1 to week 5. More details will be provided as the exam approaches.

An online quiz (and answers) will be available in week 5 for self-check and preparation for the mid-semester exam.

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.

Extension of the assignment is not usually considered by the lecturer as the assignment is done by a large group of students and to be completed from week 5 to week 11. Other group members are expected to complete the tasks even if one or more members were not able to due to any 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 exams.

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. 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 workshops, 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 400 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 exams. Supplementary materials are provided for additional information and/or assistance in preparation of the assignment or tutorials, and will not be directly tested in exams 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 licensor’s 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/)