A. ASSIGNMENT RECAP

- Students form groups to participate in a trading simulation and create a professional report reflecting on their experiences.
- The assignment aims to develop debt market portfolio management skills, commercial report writing abilities, teamwork, and reflective thinking.
- It consists of two parts: analyzing cashflow matching portfolio management and forecasting future yield curve scenarios for Australian Government Bonds, with participation in in-class sessions also contributing to the evaluation.

Suggested Structure:

PART 1 - IMMUNISATION: Cashflow matching portfolio management (Suggested 2000 words)

Part 1.1 (max 30 marks - 1000 words)

a. **The cashflow matching approach to portfolio management.**
b. **The key issues with using a cashflow matching portfolio management approach.**
c. **Identify and explain the impact of current and emerging technology on the future of bond portfolio management.**

Part 1.2 (max 30 marks - 1000 words):

1. **Trading strategy**
2. **Transactions explanation**

d. **Key learnings**
e. **Cost-Efficient Portfolio Construction**
f. **Portfolio management outcome.**

PART 2 – A future yield curve scenario (max 30 marks - 1000 words)

B. KEYWORD EXPLANATIONS

1. **Cashflow Matching Approach**

The cashflow matching approach is an investment strategy used to match the cash flows of assets (e.g., bonds) with specific liabilities (e.g., future obligations or payments) to ensure that the required funds are available when needed.

2. **Bond Portfolio Management:**

Bond portfolio management involves the selection, acquisition, and ongoing monitoring of a collection of bonds to achieve specific financial objectives, such as income generation or risk mitigation.

3. **Portfolio Objectives**

A yield curve is a graphical representation of interest rates on bonds of varying maturities, typically plotted as a curve on a graph. It shows the relationship between the interest rate (or cost of borrowing) and the time to maturity of the debt for a given borrower in a particular currency.

4. **Risk Management Techniques:**

Risk management techniques are strategies and methods employed to identify, assess, and mitigate risks associated with financial investments It includes practices to minimize the potential losses and uncertainties related to bond investments.