



UNSW Course Outline

FINS5541 Advanced Investment and Advanced Funds Management - 2024

Published on the 31 Jan 2024

General Course Information

Course Code : FINS5541

Year : 2024

Term : Term 1

Teaching Period : T1

Is a multi-term course? : No

Faculty : UNSW Business School

Academic Unit : School of Banking and Finance

Delivery Mode : In Person

Delivery Format : Standard

Delivery Location : Kensington

Campus : Sydney

Study Level : Postgraduate

Units of Credit : 6

Useful Links

[Handbook Class Timetable](#)

Course Details & Outcomes

Course Description

This course covers advanced topics in investments and active funds management. Namely : 1)

equity valuation; 2) alternative investment classes; and 3) portfolio performance measurement and management.

The equity valuation part covers security analysis based on discounted cash flow analysis. The second part covers investments in asset classes other than bonds and currencies. These so-called alternative assets have acquired increasing relevance for institutional investors such as endowments, pension and sovereign wealth funds. They include real estate, private equity, commodities, currencies, and hedge fund strategies. To the extent these are exposed to different risk and rewards than traditional asset classes, they can be useful ways for investors to diversify their risks. The final part focuses on advanced issues of performance measurement for active investors and optimal portfolio management. These include strategies to deal with estimation error in portfolio optimization and methods recently proposed to address this. As a postgraduate level course there is an important emphasis on discussing recent relevant research on each topic.

Relationship to Other Courses

The course aims to complement the training provided in FINS5513, focusing on topics either introduced in that course or not covered but still a core part of the body of knowledge for the finance profession and investments in particular.

One of the main aims of the course is to provide students with training in security analysis. That is methods for security analysts to search for under-valued / over-valued securities relative to some objective criteria.

Another focus of the course is alternative investments. Alternative investments can refer to financial assets other than (publicly traded) stocks and bonds such as private equity, commodities and currencies. Alternative investments can also refer to approaches different from the conventional buy and hold passive strategy. Since alternative assets have specific risks and rewards, they can offer a potential way for investors to diversify their risk. The same can apply to hedge fund strategies like liquidity provision, volatility scaling and others. This course aims to explain the essential concepts behind these alternative asset classes, with a major focus on alternative hedge fund strategies.

Finally, one essential aim of the course is to assess the performance of fund managers and use that information to manage portfolios including both passive benchmarks and actively managed funds. The main empirical challenges of portfolio management are also addressed.

As most courses in finance, this course requires some basic knowledge of mathematics, statistics and accounting.

Course Learning Outcomes

Course Learning Outcomes	Program learning outcomes
CLO1 : Know how to apply the main methods of security analysis.	<ul style="list-style-type: none"> • PLO1 : Business Knowledge • PLO2 : Problem Solving
CLO2 : Understand alternative investment classes, the respective instruments and economic drivers.	<ul style="list-style-type: none"> • PLO1 : Business Knowledge • PLO2 : Problem Solving
CLO3 : Solve real investment problems as valuing a stock or measuring the performance of a portfolio.	<ul style="list-style-type: none"> • PLO1 : Business Knowledge • PLO2 : Problem Solving
CLO4 : Discuss merits and limitations of current methods of portfolio management.	<ul style="list-style-type: none"> • PL01 : Business Knowledge • PL07 : Leadership Development
CLO5 : Become familiar and discuss recent relevant research on financial investments.	<ul style="list-style-type: none"> • PL01 : Business Knowledge • PL07 : Leadership Development

Course Learning Outcomes	Assessment Item
CLO1 : Know how to apply the main methods of security analysis.	<ul style="list-style-type: none"> • Course Participation • Individual Assessment • Final Assessment
CLO2 : Understand alternative investment classes, the respective instruments and economic drivers.	<ul style="list-style-type: none"> • Course Participation • Individual Assessment • Final Assessment
CLO3 : Solve real investment problems as valuing a stock or measuring the performance of a portfolio.	<ul style="list-style-type: none"> • Course Participation • Individual Assessment • Final Assessment
CLO4 : Discuss merits and limitations of current methods of portfolio management.	<ul style="list-style-type: none"> • Course Participation • Final Assessment
CLO5 : Become familiar and discuss recent relevant research on financial investments.	<ul style="list-style-type: none"> • Course Participation • Final Assessment

Learning and Teaching Technologies

Moodle - Learning Management System

Learning and Teaching in this course

We seek to create an interesting, challenging, relevant and engaging education experience. To help achieve this objective we have a number of teaching aims:

- Create a climate of engagement, dialogue and ongoing feedback between students and lecturers regarding the content, teaching strategies, learning experiences and outcomes;
 - Cater for a variety of learning preferences and abilities by providing a range of learning activities and teaching methods;
 - Develop independent learning skills and create an environment that provides both structure and guidance as well as encourages students to extend their learning.

Assessments

Assessment Structure

Assessment Item	Weight	Relevant Dates	Program learning outcomes
Course Participation Assessment Format: Individual	15%	Start Date: Weeks 2-10 Due Date: Week 10	<ul style="list-style-type: none"> • PLO2 : Problem Solving • PLO3 : Business Communication • PLO4 : Teamwork
Individual Assessment Assessment Format: Individual	35%	Start Date: Week 3 Due Date: Week 9	<ul style="list-style-type: none"> • PLO1 : Business Knowledge • PLO3 : Business Communication • PLO2 : Problem Solving
Final Assessment Assessment Format: Individual	50%	Start Date: University Exam Period Due Date: University Exam Period	<ul style="list-style-type: none"> • PLO1 : Business Knowledge • PLO2 : Problem Solving

Assessment Details

Course Participation

Course Learning Outcomes

- CLO1 : Know how to apply the main methods of security analysis.
 - CLO2 : Understand alternative investment classes, the respective instruments and economic drivers.
 - CLO3 : Solve real investment problems as valuing a stock or measuring the performance of a portfolio.
 - CLO4 : Discuss merits and limitations of current methods of portfolio management.
 - CLO5 : Become familiar and discuss recent relevant research on financial investments.

Detailed Assessment Description

15% ☰ Course Participation

On-going

Course Participation

Participation is expected in this course. During each session, the facilitator will mark student

participation. The objective of this assessment is to create an active, engaging, and rewarding experience.

Individual Assessment

Assessment Overview

Not specified

Course Learning Outcomes

- CLO1 : Know how to apply the main methods of security analysis.
- CLO2 : Understand alternative investment classes, the respective instruments and economic drivers.
- CLO3 : Solve real investment problems as valuing a stock or measuring the performance of a portfolio.

Detailed Assessment Description

<u>Weight</u>	<u>Assessment Name</u>	<u>Assessment Due Date / Timing</u>	<u> </u>
35%	IndividualAssignment	Week 9	

Individual Assessment

This individual assignment requires students to apply theoretical concepts learned in the this course in a practical setting. Key focus lies on the ability to critically select appropriate methods and techniques and to demonstrate appropriate interpretation of outcomes and limitations.

Submission notes

Please refer to the submission link in Moodle

Assignment submission Turnitin type

This assignment is submitted through Turnitin and students do not see Turnitin similarity reports.

Final Assessment

Assessment Overview

Not specified

Course Learning Outcomes

- CLO1 : Know how to apply the main methods of security analysis.
- CLO2 : Understand alternative investment classes, the respective instruments and economic drivers.

- CLO3 : Solve real investment problems as valuing a stock or measuring the performance of a portfolio.
- CLO4 : Discuss merits and limitations of current methods of portfolio management.
- CLO5 : Become familiar and discuss recent relevant research on financial investments.

Detailed Assessment Description

Weight	Assessment Name	Assessment Due Date / Timing	
50%	FinaExam	UNSW examination period	

Final Exam

This is a 2-hour comprehensive exam to be held during the UNSW examination period. Please refer to moodle and the university's examination schedule for more informaiton.

Assessment Length

2 hours

Assessment information

More detailed instructions on each assessment item will be provided during the course.

General Assessment Information

Grading Basis

Standard

Requirements to pass course

In order to pass this course students must:

- Achieve a composite mark of at least 50 out of 100
- Engage actively in course learning activities and attempt all assessment requirements
- Meet any additional requirements specified in the assessment details
- Meet the specified attendance requirements of the course (see Schedule section)

Course Schedule

Teaching Week/Module	Activity Type	Content
Week 1 : 12 February - 18 February	Lecture	Introduction to Valuation References: D2-3 and D9
	Other	Please note that the course schedule is subject to revision. Any updates will be communicated to students via Moodle.
Week 2 : 19 February - 25 February	Lecture	From Earnings to Cash Flows and Estimating Growth References: D10-D11
Week 3 : 26 February - 3 March	Lecture	Estimating Terminal Value, Dividend Discount Model (DDM), and Free Cash Flows to Equity Discount Model (FCFE) References: D12-D14
Week 4 : 4 March - 10 March	Lecture	Relative Valuation, Earnings Multiples and Recent Research on Fundamental Analysis References: D17-18
Week 5 : 11 March - 17 March	Lecture	Private Equity References: D24, CAIA20-22
Week 6 : 18 March - 24 March	Lecture	Assignment workshop Please bring your laptop. Each student will have a time slot during this session to discuss their valuation model and ask questions. Utilising your time during this session could greatly affect the outcome of your assignment.
Week 7 : 25 March - 31 March	Lecture	Commodities and Currencies References: CAIA18, KOM14 and P11
Week 8 : 1 April - 7 April	Lecture	Portfolio Performance Evaluation References: BKM24
Week 9 : 8 April - 14 April	Lecture	Hedge Funds References: BKM26, P (Introduction and Chapter 1)
Week 10 : 15 April - 21 April	Lecture	Active Portfolio Management and Advanced Topics in Portfolio Management References: BKM27, Brandt et al. (2009), DeMiguel et al. (2009), Barroso and Santa-Clara (2012).

Attendance Requirements

Students are strongly encouraged to attend all classes and review lecture recordings.

Course Resources

Prescribed Resources

The website for this course is on [Moodle](#).

There is no fixed textbook requirement for this course.

However, much of the course relies on materials from three books:

- Anson, M. J. P., Chambers, D. R., Black, K. H., & Kazemi, Hossein. (2012). CAIA level I?: an introduction to core topics in alternative investments (Second edition.). John Wiley & Sons, Inc. [CAIA]
- Bodie, Z., Kane, A., & Marcus, A. J. (2018). Investments (11th edition.). McGraw-Hill

Education. [BKM]

- Damodaran, A. (2012). *Investment valuation?: tools and techniques for determining the value of any asset* (3rd ed.). Wiley. [D]

Lecture slides and practice questions will be posted on Moodle and those should be the core elements of your study materials. The books are additional and complementary references for your study. Copies of the books are available for purchase at the UNSW Book Store but you may also just borrow the books from the UNSW Library. If your budget is limited the (decreasing) order of importance of the books for this course is D, BKM, CAIA.

Other books that are related to the content of the course are:

- Ang, A. (2014). *Asset management?: a systematic approach to factor investing*. Oxford University Press.
- Damodaran, A. (2006). *Damodaran on valuation?: security analysis for investment and corporate finance* (Second edition.). Wiley.
- Krugman, P. R., Obstfeld, M., & Melitz, M. J. (2012). *International economics?: theory & policy* (9th ed., Global ed.). Pearson Education. [KOM]
- Pedersen, L. H. (2015). *Efficiently inefficient?: how smart money invests and market prices are determined*. Princeton University Press. [P]
- Reilly, F. K., & Brown, K. C. (2012). *Investment analysis & portfolio management* (10th ed.). South-Western Cengage Learning.

The course puts a major emphasis on relevant, recent research in financial markets. The exams can include questions on the papers presented in class. You should be able to refer their main findings and discuss how they fit in the global picture of the course content. Below is a list of relevant papers that we will present and discuss (note this list is not exhaustive, other papers can be presented and discussed as well):

- Asness, C. S., Krail, R. J., & Liew, J. M. (2001). Do hedge funds hedge?. *The Journal of Portfolio Management*, 28(1), 6-19.
- Asness, C., Frazzini, A., Israel, R., & Moskowitz, T. (2014). Fact, fiction, and momentum investing. *The Journal of Portfolio Management*, 40(5), 75-92.
- Asness, C., Frazzini, A., Israel, R., & Moskowitz, T. (2015). Fact, fiction, and value investing. *The Journal of Portfolio Management*, 42(1), 34-52.
- Asness, C. S., Frazzini, A., & Pedersen, L. H. (2019). Quality minus junk. *Review of Accounting Studies*, 24(1), 34-112.
- Barroso, P., & Santa-Clara, P. (2015). Beyond the carry trade: Optimal currency portfolios. *Journal of Financial and Quantitative Analysis*, 50(5), 1037-1056.
- Barroso, P., & Saxena, K. (2021). Lest we forget: using out-of-sample forecast errors in portfolio optimization. *The Review of Financial Studies*, 35, 1222-1278.
- Brandt, M. W., Santa-Clara, P., & Valkanov, R. (2009). Parametric portfolio policies: Exploiting characteristics in the cross-section of equity returns. *The Review of Financial Studies*, 22(9),

3411-3447.

- DeMiguel, V., Garlappi, L., & Uppal, R. (2009). Optimal versus naive diversification: How inefficient is the 1/N portfolio strategy?. *The Review of Financial studies*, 22(5), 1915-1953.
- Edelen, R. M., Ince, O. S., & Kadlec, G. B. (2016). Institutional investors and stock return anomalies. *Journal of Financial Economics*, 119(3), 472-488.
- Frazzini, A., Kabiller, D., & Pedersen, L. H. (2018). Buffetts alpha. *Financial Analysts Journal*, 74(4), 35-55.
- Malkiel, B. G., & Saha, A. (2005). Hedge funds: Risk and return. *Financial Analysts Journal*, 61(6), 80-88.

Popular / classical / non-technical books related to the course content (not strictly required but always good reading material):

- Bernstein, P. L. (1996). Against the gods?: the remarkable story of risk. John Wiley & Sons.
- Buffett, W., & Cunningham, L. A. (2014). The essays of Warren Buffett?: lessons for investors and managers (4th edition.). John Wiley & Sons Singapore.
- Graham, B., & Dodd, D. L. (2009). Security analysis?: principles and technique (6th ed.). McGraw-Hill.
- Lewis, M. (2016). Liar's poker. Hodder.
- Lowenstein, R. (2000). When genius failed?: the rise and fall of Long-Term Capital Management. Fourth Estate.
- Malkiel, B. G. (2015). A random walk down Wall Street?: the time-tested strategy for successful investing ([2015 edition]). W.W. Norton & Company.
- Taleb, N. (2007). The Black swan?: the impact of the highly improbable. Allen Lane.

Course Evaluation and Development

Feedback is regularly sought from students and continual improvements are made based on this feedback. At the end of this course, you will be asked to complete the myExperience survey, which provides a key source of student evaluative feedback. Your input into this quality enhancement process is extremely valuable in assisting us to meet the needs of our students and provide an effective and enriching learning experience. The results of all surveys are carefully considered and do lead to action towards enhancing educational quality.

Staff Details

Position	Name	Email	Location	Phone	Availability	Equitable Learning Services Contact	Primary Contact
Convenor	Christoph Meier		Kensington		By appointment. In-person consultation is generally scheduled around the lecture.	No	Yes

Other Useful Information

Academic Information

COURSE POLICIES AND SUPPORT

The Business School expects that you are familiar with the contents of this course outline and the UNSW and Business School learning expectations, rules, policies and support services as listed below:

- Program Learning Outcomes
- Academic Integrity and Plagiarism
- Student Responsibilities and Conduct
- Special Consideration
- Protocol for Viewing Final Exam Scripts
- Student Learning Support Services

Further information is provided on the [key policies and support page](#).

Students may not circulate or post online any course materials such as handouts, exams, syllabi or similar resources from their courses without the written permission of their instructor.

STUDENT LEARNING OUTCOMES

The Course Learning Outcomes (CLOs) – under the Outcomes tab – are what you should be able to demonstrate by the end of this course, if you participate fully in learning activities and successfully complete the assessment items.

CLOs also contribute to your achievement of the Program Learning Outcomes (PLOs), which are developed across the duration of a program. PLOs are, in turn, directly linked to [UNSW graduate capabilities](#). More information on Coursework PLOs is available on the [key policies and support page](#). For PG Research PLOs, including MPDBS, please refer to the [UNSW HDR Learning Outcomes](#).

Academic Honesty and Plagiarism

As a student at UNSW you are expected to display [academic integrity](#) in your work and interactions. Where a student breaches the [UNSW Student Code](#) with respect to academic integrity, the University may take disciplinary action under the Student Misconduct Procedure. To assure academic integrity, you may be required to demonstrate reasoning, research and the

process of constructing work submitted for assessment.

To assist you in understanding what academic integrity means, and how to ensure that you do comply with the UNSW Student Code, it is strongly recommended that you complete the [Working with Academic Integrity](#) module before submitting your first assessment task. It is a free, online self-paced Moodle module that should take about one hour to complete.

Submission of Assessment Tasks

SPECIAL CONSIDERATION

You can apply for special consideration when illness or other circumstances beyond your control interfere with your performance in a specific assessment task or tasks, including online exams. Students studying remotely who have exams scheduled between 10pm and 7am local time, are also able to apply for special consideration to sit a supplementary exam at a time outside of these hours.

Special consideration is primarily intended to provide you with an extra opportunity to demonstrate the level of performance of which you are capable. To apply, and for further information, see Special Consideration on the UNSW [Current Students](#) page.

Special consideration applications will be assessed centrally by the Case Review Team, who will update the online application with the outcome and add any relevant comments. The change to the status of the application immediately sends an email to the student and to the assessor with the outcome of the application.

Please note the following:

1. Applications can only be made through Online Services in myUNSW (see the UNSW [Current Students](#) page). Applications will not be accepted by teaching staff. The lecturer-in-charge/ course coordinator will be automatically notified when your application is processed.
2. Applying for special consideration does not automatically mean that you will be granted a supplementary exam or other concession.
3. If you experience illness or misadventure in the lead up to an exam or assessment, you must submit an application for special consideration, either prior to the examination taking place, or prior to the assessment submission deadline, except where illness or misadventure prevent you from doing so.
4. If your circumstances stop you from applying before your exam or assessment due date, you must apply within 3 working days of the assessment or the period covered by your supporting documentation.

5. Under the UNSW Fit To Sit/Submit rule, if you sit the exam/submit an assignment, you are declaring yourself well enough to do so and are cannot subsequently apply for special consideration.
6. If you become unwell on the day of – or during – an exam, you must stop working on your exam, advise your course coordinator or tutor and provide a medical certificate dated within 24 hours of the exam, with your special consideration application. For online exams, you must contact your course coordinator or tutor immediately via email, Moodle or chat and advise them you are unwell and submit screenshots of your conversation along with your medical certificate and application.
7. Special consideration requests do not allow the awarding of additional marks to students.

Further information on Business School policy and procedure can be found under “Special Consideration” on the [key policies and support](#) page.

LATE SUBMISSION PENALTIES

For assessments other than examinations, late submission will incur a penalty of 5% per day or part thereof (including weekends) from the due date and time. An assessment will not be accepted after 5 days (120 hours) of the original deadline unless special consideration has been approved. An assignment is considered late if the requested format, such as hard copy or electronic copy, has not been submitted on time or where the ‘wrong’ assignment has been submitted.

For assessments which account for 10% or less of the overall course grade, and where answers are immediately discussed or debriefed, the LIC may stipulate a different penalty. Details of such late penalties will be available on the course Moodle page.

FEEDBACK ON YOUR ASSESSMENT TASK PERFORMANCE

Feedback on student performance from formative and summative assessment tasks will be provided to students in a timely manner. Assessment tasks completed within the teaching period of a course, other than a final assessment, will be assessed and students provided with feedback, with or without a provisional result, within 10 working days of submission, under normal circumstances. Feedback on continuous assessment tasks (e.g. laboratory and studio-based, workplace-based, weekly quizzes) will be provided prior to the midpoint of the course.

Faculty-specific Information

PROTOCOL FOR VIEWING FINAL EXAM SCRIPTS

UNSW students have the right to view their final exam scripts, subject to a small number of very specific exemptions. The UNSW Business School has set a [protocol](#) under which students may view their final exam script. Individual schools within the Faculty may also set up additional local processes for viewing final exam scripts, so it is important that you check with your School.

If you are completing courses from the following schools, please note the additional school-specific information:

- Students in the **School of Accounting, Auditing & Taxation** who wish to view their final examination script should also refer to [this page](#).
- Students in the **School of Banking & Finance** should also refer to [this page](#).
- Students in the **School of Information Systems & Technology Management** should also refer to [this page](#).

COURSE EVALUATION AND DEVELOPMENT

Feedback is regularly sought from students and continual improvements are made based on this feedback. At the end of this course, you will be asked to complete the [myExperience survey](#), which provides a key source of student evaluative feedback. Your input into this quality enhancement process is extremely valuable in assisting us to meet the needs of our students and provide an effective and enriching learning experience. The results of all surveys are carefully considered and do lead to action towards enhancing educational quality.

QUALITY ASSURANCE

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will 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.

TEACHING TIMES AND LOCATIONS

Please note that teaching times and locations are subject to change. Students are strongly advised to refer to the [Class Timetable website](#) for the most up-to-date teaching times and locations.