UNSW Course Outline

FINS2624 Portfolio Management - 2024

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General Course Information

Course Code : FINS2624
Year : 2024
Term : Term 3
Teaching Period : T3
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 : Undergraduate
Units of Credit : 6

Useful Links

Handbook Class Timetable

Course Details & Outcomes

Course Description

All investors – from the largest wealth funds to the smallest individual investors – face common concerns in investing: how to decide where to invest, and how much risk to take on. This course will serve as a primer in learning how to think about and address these investment questions.

You will acquire the theoretical knowledge underlying optimal portfolio construction (Markowitz portfolio theory and Capital Asset Pricing Model (CAPM)) and how to measure and price risk and exploit mispriced securities. You will learn the practical skills necessary to apply this theoretical knowledge to construct optimal portfolios in iLabs.

You will also learn about investment strategies and performance evaluation and discuss best practices in portfolio performance evaluation. You will explore different evaluation techniques such as style analysis and attribution analysis, and apply them to evaluate different investment strategies.

The course will also cover the basic analytical framework necessary to understand the pricing of bonds and their investment characteristics (introducing fundamental concepts such as duration, yield, and term structure).

Course Aims

Portfolio Management is one of four core courses in finance. This course extends and applies knowledge in financial mathematics acquired from FINS2615 (formerly FINS1613) and/or ECON 1202 to price bonds and options; portfolio theory from FINS2615 (FINS1613) to rank and select portfolios; linear programming and calculus from ECON1202 to determine the composition and attributes of a portfolio; frequency distribution, measures of central tendency, mean and dispersion, the normal distribution, point estimation of population parameters and confidence intervals from ECON 1203 to understand investment risk, expected return and option pricing models; hypothesis testing, t-distributions, and bivariate regression from ECON1203 to study the CAPM.

Relationship to Other Courses

This course covers the assumed knowledge required by finance courses in the area of funds management (FINS3640 and FINS3641); real estate finance (FINS3633); risk management (FINS3631, FINS3635 and FINS3636); and the honours program (FINS3775).

Course Learning Outcomes

Course Learning Outcomes	Program learning outcomes
CLO1 : Price fixed income securities and analyse the level of investment risk by applying understanding of term structure of interest rates and duration to real-world scenarios	• PLO1 : Business Knowledge • PLO2 : Problem Solving
CLO2 : Identify violations of a no-arbitrage equilibrium and outline a trading strategy to exploit arbitrage opportunities	• PLO1 : Business Knowledge • PLO2 : Problem Solving
CLO3 : Practically demonstrate knowledge of portfolio theory by constructing optimal portfolios, measuring and pricing risk, and identifying and exploiting mispriced securities	• PLO1 : Business Knowledge • PLO2 : Problem Solving
CLO4 : Evaluate the performance of managed investments and identify ethical considerations relating to performance reporting and evaluation	• PLO1 : Business Knowledge • PLO2 : Problem Solving • PLO5 : Responsible Business Practice
CLO5 : Describe the efficient market hypothesis, discuss potential reasons behind the presence of anomalies and market inefficiencies and apply related findings in designing investment strategies	• PLO1 : Business Knowledge • PLO2 : Problem Solving

Course Learning Outcomes	Assessment Item
CLO1 : Price fixed income securities and analyse the level of investment risk by applying understanding of term structure of interest rates and duration to real-world scenarios	• Quizzes + Contribution • Final Exam
CLO2 : Identify violations of a no-arbitrage equilibrium and outline a trading strategy to exploit arbitrage opportunities	• Quizzes + Contribution • Final Exam
CLO3 : Practically demonstrate knowledge of portfolio theory by constructing optimal portfolios, measuring and pricing risk, and identifying and exploiting mispriced securities	• Individual Assignment • Quizzes + Contribution • Final Exam
CLO4 : Evaluate the performance of managed investments and identify ethical considerations relating to performance reporting and evaluation	• Quizzes + Contribution • Final Exam
CLO5 : Describe the efficient market hypothesis, discuss potential reasons behind the presence of anomalies and market inefficiencies and apply related findings in designing investment strategies	• Quizzes + Contribution • Final Exam

Learning and Teaching Technologies

Moodle - Learning Management System

Learning and Teaching in this course

The philosophy underpinning this course is best summarized by the following list of guidelines extracted from Guidelines on Learning that inform teaching at UNSW.

- Effective learning is supported when students are actively engaged in the learning process.
- Students become more engaged in the learning process, if they can see the relevance of their studies to professional, disciplinary and/or personal contexts.
- Clearly articulated expectations, goals, learning outcomes, and course requirements increase student motivation and improve learning.
- Effective learning is facilitated by assessment practices and other student learning activities that are designed to support the achievement of desired learning outcomes.
- Meaningful and timely feedback to students improves learning.

We believe that a disciplined approach to learning is important for effective learning. Students should engage in the learning process through regular class attendance, and regular staff or peer consultation to resolve any learning issues.

We also believe that a well-organized and structured course is important for effective learning and teaching. Besides designing a coherent lecture and tutorial program to present and discuss the syllabus, we will:

- Use actual examples and research findings in lectures to demonstrate the relevance of the subject to the finance profession, and;
- Give students a variety of questions to practice and apply concepts.

The teaching strategies and assessments that we formulate below are due entirely to the learning outcomes and the philosophy underpinning this course.

Assessments

Assessment Structure

Assessment Item	Weight	Relevant Dates	Program learning outcomes
Quizzes + Contribution Assessment Format: Individual	40%	Start Date: As assigned Due Date: As assigned	• PLO1 : Business Knowledge • PLO2 : Problem Solving • PLO3 : Business Communication • PLO4 : Teamwork
Individual Assignment Assessment Format: Individual	15%	Start Date: As detailed on Moodle Due Date: As detailed on Moodle	• PLO1 : Business Knowledge • PLO2 : Problem Solving • PLO4 : Teamwork
Final Exam Assessment Format: Individual	45%	Start Date: Not Applicable Due Date: University exam period	• PLO1 : Business Knowledge • PLO2 : Problem Solving

Assessment Details

Quizzes + Contribution

Assessment Overview

The problem sets, forum contribution, reflective writing, and mid-term quiz assess students' understanding of the investment and portfolio management knowledge and analytical skills.

Assesses: PLO1, PLO2, PLO5, PLO7

BCom students: myBCom course points for PLO7

Course Learning Outcomes

- CLO1 : Price fixed income securities and analyse the level of investment risk by applying understanding of term structure of interest rates and duration to real-world scenarios
- CLO2 : Identify violations of a no-arbitrage equilibrium and outline a trading strategy to exploit arbitrage opportunities
- CLO3 : Practically demonstrate knowledge of portfolio theory by constructing optimal portfolios, measuring and pricing risk, and identifying and exploiting mispriced securities
- CLO4 : Evaluate the performance of managed investments and identify ethical considerations relating to performance reporting and evaluation
- CLO5 : Describe the efficient market hypothesis, discuss potential reasons behind the presence of anomalies and market inefficiencies and apply related findings in designing investment strategies

Detailed Assessment Description

Weight	Assessment Name	Assessment Due Date / Timing

20%	Online quizzes	Saturday 15 July (Week 7)
10%	Weekly problem sets.	On-going, weeks 2 -10
5%	Forum contribution.	On-going, weeks 1-10
5%	Reflective piece.	Week 9 (final date announced on Moodle)

(BCom students: myBCom course points for PLO7)

Online Quiz (20%)

There will be an Online Quiz on the Saturday of week 7. The exam will cover lectures 1 to 5. The exact time and format of the exam will be clarified in due time.

Weekly problem sets (10%)

Students must go to their enrolled tutorial classes (as per myUNSW) for attendance keeping. Students are expected to be prepared for the tutorials, participate actively in tutorial discussion, and show respect to their classmates and the tutor by **arriving on time, paying attention, and staying for the entire duration of the tutorial**.

Students will be asked to complete a total of 8 problem sets. There are no tutorials or problem sets due in week 1 or in flexibility week (week 6). The first 7 problem sets have to be submitted in person at the start of the tutorial sessions. Problem set number 8 (in week 10) does not have to be submitted. The solution to problem set 8 will be posted on Moodle, and the tutors will explain the solution during the last tutorial session (tutorial 8 in week 10). A total of 10 marks will be allocated to the problem sets plus your tutorial contribution. Problem sets in one week will be based on the material covered in previous week's lecture.

To get the full mark for each tutorial, you must: 1) attend and participate in the tutorial for the whole duration; and 2) honestly attempt the problem set and turn in suggested solutions (hard copy) for the problem set **on Moodle**. The problem set solution needs to be **hand-written and signed**. The solutions need not be correct, but they need to constitute an honest attempt. Zero marks will be given for a tutorial if you do not meet BOTH of the two criteria above.

Students are permitted 2 absences out of the 9 tutorials in the term. If you are absent more than 2 times, you need to apply for Special Consideration or participation marks will be deducted at 1% per additional absence.

Forum Contribution (5%)

Forum contribution aims to develop an online learning community and facilitate student engagement.

Students are required to contribute to the online forums in Moodle in a meaningful way at least three times during the term. What is meant by meaningful way will be discussed in detail at the beginning of the course with examples and the video recording will be made available.

Reflection (5%)

The purpose of reflective writing is to help you critically reflect on your learning experience and the knowledge and skills you acquire. It will help you to make connections between your in-class learning with the broader context of real-world finance.

Tied in with the Problem sets, you will reflect throughout the course on guided questions designed to link your learning experience to your future interests. A detailed rubric and tutorial discussions will be provided to guide you through this process.

This reflective piece will be due in week 9. Further relevant details will be made available on Moodle in due time.

Assessment Length

As assigned

Assignment submission Turnitin type

This is not a Turnitin assignment

Generative AI Permission Level

No Assistance

This assessment is designed for you to complete without the use of any generative AI. You are not permitted to use any generative AI tools, software or service to search for or generate information or answers.
For more information on Generative AI and permitted use please see here.

Individual Assignment

Assessment Overview

The iLabs Assignment, which is usually conducted in teams but also individual students,

practically assesses how a team of students integrates as a group the core knowledge and skills of the course by analysing a portfolio of different financial assets, presenting their analysis to “investors”, and making decisions from professional standpoint.

Assesses: PLO1, PLO2, PLO5

Course Learning Outcomes

- CLO3 : Practically demonstrate knowledge of portfolio theory by constructing optimal portfolios, measuring and pricing risk, and identifying and exploiting mispriced securities

Detailed Assessment Description

There will be a practical simulation exercise using professional data platform and actual security data. This will be completed in group work.

The assessment is due in the form of a final project report.

Further details will be lodged on Moodle early in the term.

Assessment Length

As advised in the beginning of the term

Assignment submission Turnitin type

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

Generative AI Permission Level

No Assistance

This assessment is designed for you to complete without the use of any generative AI. You are not permitted to use any generative AI tools, software or service to search for or generate information or answers.
For more information on Generative AI and permitted use please see here.

Final Exam

Assessment Overview

The final examination assesses the student’s individual understanding of the entire course and their knowledge of CFA Ethics in Finance.

Assesses: PLO1, PLO2, PLO5

BCom students: myBCom course points for PLO5

Course Learning Outcomes

- CLO1 : Price fixed income securities and analyse the level of investment risk by applying understanding of term structure of interest rates and duration to real-world scenarios
- CLO2 : Identify violations of a no-arbitrage equilibrium and outline a trading strategy to exploit arbitrage opportunities
- CLO3 : Practically demonstrate knowledge of portfolio theory by constructing optimal portfolios, measuring and pricing risk, and identifying and exploiting mispriced securities
- CLO4 : Evaluate the performance of managed investments and identify ethical considerations relating to performance reporting and evaluation
- CLO5 : Describe the efficient market hypothesis, discuss potential reasons behind the presence of anomalies and market inefficiencies and apply related findings in designing investment strategies

Detailed Assessment Description

(BCom students: myBCom course points for PLO5)

The final exam covers all the materials discussed in lectures from week 1 through week 10. Exam questions are not specified in advance. Students must observe rules and regulations set by the University. The format of the exam will be disclosed in lecture and through Moodle.

Assessment Length

2 hours

Assignment submission Turnitin type

This is not a Turnitin assignment

Generative AI Permission Level

No Assistance

This assessment is designed for you to complete without the use of any generative AI. You are not permitted to use any generative AI tools, software or service to search for or generate information or answers.
For more information on Generative AI and permitted use please see here.

General Assessment Information

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.

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

Course Schedule

Teaching Week/Module	Activity Type	Content
Week 1 : 9 September - 15 September	Lecture	Topics: Bond Pricing; Term Structure of Interest Rates I Reading: Course outline, Bodie, Kane, and Marcus (BKM) 14 (14.1-14.3), BKM 15 (15.1)
	Tutorial	No tutorial in week 1. Tutorials begin in week 2.
Week 2 : 16 September - 22 September	Lecture	Topics: Term Structure of Interest Rates II; Duration Reading: BKM 15 (15.2 - 15.5), BKM 16 (16.1 - 16.3)
	Tutorial	Discussion and problem set 1
Week 3 : 23 September - 29 September	Lecture	Topic: Markowitz Portfolio Theory Reading: BKM 5 (5.4 - 5.5), BKM 6 (6.1, 6.5), BKM 7 (7.1 - 7.2, 7.4, Appendix B)
	Tutorial	Discussion and problem set 2
Week 4 : 30 September - 6 October	Lecture	Topic: Optimal Portfolios Reading: BKM 6 (6.2 - 6.6), BKM 7 (7.3 - 7.4) Practice Question Set 1
	Tutorial	Discussion and problem set 3
Week 5 : 7 October - 13 October	Lecture	Topics: The Capital Asset Pricing Model (CAPM) and Single Index Models (SIM) Reading: BKM 8 (8.1-8.3), BKM 9 (9.1)
	Tutorial	Discussion and problem set 4
Week 6 : 14 October - 20 October	Lecture	No Lecture (flexibility week)
	Tutorial	No Tutorial (flexibility week)
Week 7 : 21 October - 27 October	Lecture	Topics: Active Investing, Factor models and Performance Measures Reading: BKM 8 (8.4 - 8.5), BKM 10 (all sections), BKM 24 (24.1-24.5)
	Assessment	Mid-Term Quiz
	Tutorial	Discussion and problem set 5
Week 8 : 28 October - 3 November	Lecture	Topics: Efficient Market Hypothesis and Behavioural Finance Reading: BKM 11 (11.1-11.5), BKM 12 (12.1)
	Tutorial	Discussion and problem set 6
Week 9 : 4 November - 10 November	Lecture	Topic: Option Strategies Reading: BKM 20 (20.1-20.4) Practice Question Set 2
	Assessment	iLab assignment is due
	Tutorial	Discussion and problem set 7
Week 10 : 11 November - 17 November	Lecture	Topic: Option Valuation Reading: BKM 21 (21.1, 21.3)
	Tutorial	Discussion and problem set 8

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. Students are expected to log in to the course website regularly to download course materials, read course announcements, and participate in the discussion forum.

There are two alternative textbooks for the course. Student may choose either of the following:

- Investments, by Z. Bodie, A. Kane, and A. Marcus, 11th Ed., McGraw-Hill Irwin, 2018
- The custom version of Bodie et al (2018) called FINS2624 - Portfolio Management, prepared by Robert Bishop.

The difference between these books is that the former is the full, standard textbook and the latter contains only the chapters from that book that are used in this course. The advantage of the full book is that students may find it useful (and required) in other courses. The advantage of the latter book is that it is cheaper. We recommend students that intend to major in finance buy the full textbook and students that do not intend to take further finance courses buy the custom version. For the purpose of this course there is no difference between the two.

There are also older editions of the textbook. These do not exactly correspond to the book we are using, especially in terms of chapter and sub-chapter numbers. However, the differences between editions are typically small.

Additional Costs

Not applicable.

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	Wesley Deng				Email for appointments	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 Policies and Guidelines 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 Policies and Guidelines page. For PG Research PLOs, including MPDBS, please refer to UNSW HDR learning outcomes.

Academic Honesty and Plagarism

As a student at UNSW you are expected to display academic integrity in your work and interactions. Where a student breaches the UNSW Code of Conduct with respect to academic integrity, the University may take disciplinary action. 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 Code of Conduct, 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

SHORT EXTENSIONS

Short Extension is a new process that allows you to apply for an extended deadline on your assessment without the need to provide supporting documentation, offering immediate approval during brief, life-disrupting events. Requests are automatically approved once submitted.

Short extensions are ONLY available for some assessments. Check your course outline or Moodle to see if this is offered for your assessments. Where a short extension exists, all students enrolled in that course in that term are eligible to apply. Further details are available the UNSW Current Students page.

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. Special consideration is primarily intended to provide you with an extra opportunity to demonstrate the level of performance of which you are capable.

Applications can only be made online and will NOT be accepted by teaching staff. 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. The majority of applications will be processed within 3-5 working days.

For further information, and to apply, see Special Consideration on the UNSW Current Students page.

LATE SUBMISSION PENALTIES

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. In the case of an approved Equitable Learning Plan (ELP) provision, special consideration or short extension, the late penalty applies from the date of approved time extension. After five days from the extended deadline, the assessment cannot be submited.

An assessment is considered late if the requested format, such as hard copy or electronic copy, has not been submitted on time or where the 'wrong' assessment 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.