Course Outline
Finance 761: PORTFOLIO THEORY AND INVESTMENT ANALYSIS
(15 POINTS)

Semester 1 (1183)

This course covers contemporaneous issues in investments and builds on knowledge acquired in Finance 261 and 361. This is a graduate course geared towards students who will conduct research in the form of dissertation or thesis. The course is designed to give students exposure to a wide variety of research in the area of empirical asset pricing. The course is based on seminars in which the students present assigned papers.

Location and Time
OGGB Room 040B, Thursday 1-4 pm

Assessment
The total course mark used to determine your overall grade is calculated as follows

<table>
<thead>
<tr>
<th>MARKS</th>
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<tr>
<td>Assignments (10 + 5 + 15)</td>
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<tr>
<td>Participation</td>
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<tr>
<td>Presentations (15 + 5)</td>
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<tr>
<td>Test</td>
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<td>Total Course Mark</td>
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Presentation
From Week 4 onwards each student will be responsible for one individual presentation (15% of the final grade) and one group presentation (5% of the final grade) on an assigned topic. We expect you to go beyond the paper as opposed to giving a mere summary of the paper. In particular, the presenters should address questions such as: What is the importance of the paper? How does it relate to the literature in the area? (A brief overview of related papers is necessary to address this question.) What are the practical implications of the paper? Are there any unanswered questions? Can the research design be improved? Are there any ambiguities? Seminar presenters are also expected to lead active class discussion in which everyone participates. (Note reading slides or notes will discourage others from participating.) Engaging other students and keeping lively discussion going is an important factor determining
presentation grades. Presenters are encouraged to see the lecturer and discuss their assigned papers well ahead of time.

**Participation**
This course relies heavily on students' participation in seminars. Learning in a seminar is an evolving process which includes outside preparation and seminar discussions. Everyone is expected to ask questions, raise issues, contribute and challenge the opinions of others. Participation grades will be determined by a combination of evident preparation, frequency and quality of participation. Participation will account for 10% of your final grade.

**Note** Out of respect for all participants in FIN761, mobiles need to be switched off during class and laptops/tablets are not allowed!

**Assignments**
Students who do not have presentation responsibility are required to provide a critique with at least two questions for each paper. A good question helps others better understand the paper and/or leads to interesting class discussion. At least one of the questions must be brought up for discussion during the in class seminar presentation. Questions may relate to the motivation of the paper, or a specific detail of the methodology used. Alternatively you may have a query as to the relevance of the research to New Zealand or the possibility of conducting similar research using a different data set. The written questions must be handed in at the start of each session. This counts for 10% of your final grade.

You also have to write a referee report. The referee report should be no longer than three pages, one and a half spaced. The paper for the referee report will be distributed in class later on. The referee report counts for 5% of your final grade.

The remaining 15% is for an empirical assignment. The assignment will require the use of computers. We recommend that you use SAS, although any statistical programming language such as R, Matlab, EViews, Stata or Gauss will work as well. Excel may also work but it will be impractical and tedious without macro programming. Details about the empirical assignment will be announced later.

**Test**
The test is open-book and counts for 40% of your final grade.

**Learning Outcomes**
At the successful completion of the course, students should be able to
1. Understand the core principles of asset pricing
2. Understand current empirical research in the area of asset pricing
3. Critically evaluate claims of successful investment strategies
4. Come up with interesting research questions in the field of asset pricing

In addition to developing your knowledge of and research skills in asset pricing, Finance 761 aims to develop generic skills as required by relevant professional bodies and The University of Auckland Business School (UABS). At the end of the course, you should be able to

5. Demonstrate verbal, written, and interpersonal communication skills, at a level where you can communicate knowledge clearly and succinctly.
Teaching Staff

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Course Structure

This course is spread over 10 weekly research seminars. The current schedule of seminars is as follows (Note: Some changes of topics and/or papers may be made. For more up-to-date information make sure you attend the course administration meeting on Monday, 26 February, 1-2 pm in OGGB 040C):

Week 3 (Thursday, 15 March)  Asset Pricing from 361 to 761  Henk Berkman

Week 4 (Thursday, 22 March)  More on Asset Pricing and Anomalies  Henk Berkman

Week 5 (Thursday, 29 March)  Empirical regularities  Dimitri Margaritis
Week 6 (Thursday, 19 April)  Behavioural Finance  Dimitri Margaritis
  Presenter: TBA
  Presenter: TBA
  Presenter: TBA

Week 7 (Thursday, 26 April)  Short-selling  Henk Berkman

Week 8 (Thursday, 3 May)  Hedge Fund Session

Week 9 (Thursday, 10 May)  Investment Professionals  Henk Berkman

Week 10 (Thursday, 17 May)  Market Microstructure  Henk Berkman

Week 11 (Thursday, 24 May)  Dynamics of expected returns  Dimitri Margaritis
  Presenter: TBA
  Presenter: TBA
  Presenter: TBA
Week 12 (Thursday, 31 May)  Bond market liquidity  Dimitri Margaritis

  Presenter: TBA

  Presenter: TBA

  Presenter: TBA

  Presenter: TBA

Week 13 Final Test Tuesday 5 June, 1- 4 pm