



ACCG 875
Investing in emerging markets

Semester 2, 2011

Department Applied Finance & Actuarial Studies

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT OUTLINE**

Year and Semester: Semester 2, 2011

Unit convenor: Dr. Mehdi Sadeghi

Prerequisites /Corequisites/Assumed knowledge:

There is no prerequisite/ corequisites for this unit.

Assumed Knowledge is equivalent to that covered in ACCG252 (Applied Financial Analysis and Management).

Students are expected to revise important concepts from applied financial analysis and management. You must make special effort to complete your revision before the first assessment task if you found any of the assumed knowledge difficult.

Credit points: 4

Students in this unit should read this outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

About this unit

This subject offers students a detailed analysis of investment in emerging financial markets. Emerging financial markets have certain features that differentiate them from financial markets in developed countries. These differences bring about special challenges and provide diverse range of opportunities for investors. From a practical point of view, the challenge for prudent investors is how to deal with these risks in order to benefit from higher rate of return provided by these markets. From a theoretical point of view, the challenge is how to modify the traditional models in order to make them more relevant to issues that are specific to emerging markets. We discuss investment issues in emerging markets from both theoretical and practical point of views. Geographic focus is in Asian countries.

Teaching staff

Dr Mehdi Sadeghi (E4A 514, Tel: 02 9850 8527),
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Consultation times

Friday 10:00AM-12:00PM

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours.

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

Classes

Each week there will be a two hour lecture, and one hour group presentation by students. These presentations are based on different case studies which will be assigned to each group in agreement. Students groups will be formed in the first week during presentation hour.

The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

It is an assessment requirement of this unit that students attend classes, especially during presentation of case studies.

Prizes

In Recognition of students' academic achievements, the "Prize for Academic Excellence" is awarded to the best student in this subject.

Required and Recommended texts and/or materials

Text book for the subject is Financial Decisions in Emerging Markets by Jaime Sabal. Publisher: Oxford University Press, 2002, ISBN: 0195144597.

Reference books include Emerging Financial Markets by David Beim and Charles Calomiris, and Project Finance in Asia Pacific by Richard Tinsley.

All other readings will be available in library, or will be distributed in the lecture on weekly basis.

The required and recommended texts can be purchased from the Macquarie University Co-op Bookshop.

A copy of the recommended text is also available in the Macquarie Library.

Technology Used and Required

During the semester you need to access website of several emerging markets stock exchanges, and bond markets in order to do your Major Assignment. You, also need to access website of relevant corporations and financial institutions that are involved in project finance case study.

Ability to work with softwares for time series analysis, and portfolio management are desirable requirements for doing your assignment and case study more professionally.

A nonprogrammable calculator may be used in any examination in this unit.

Unit web page

- Course materials are available on Moodle.

Learning outcomes

By the end of ACCG 875 students should understand the following investment issues

1. Characteristics of emerging financial markets.
2. Asset allocation, volatility and linkages in emerging capital markets.
3. Portfolio versus direct investment in emerging markets.
4. Political risk, currency risk, speculative craze, and market manipulation.
5. Systematic risk and alternative CAPM for emerging financial markets.
6. Liberalization and integration in emerging market.
7. Project finance in emerging economies.
8. Valuation of direct investment and the cost of capital in emerging economies.
9. Financial crises and their contagious effects in emerging markets.
10. Derivatives and hedging instruments in emerging markets.

Graduate Capabilities

Graduate Capabilities are developed in every Macquarie University course in the context of the knowledge and skills of that field of study. They ensure our students and graduates are work, career and future ready.

This unit contribute to this by developing the following graduate capabilities:

1. Problem solving in a range of settings
2. Communicating in a variety of contexts and modes
3. Working both autonomously and collaboratively
4. Working in an environmentally, socially and culturally responsible manner
5. Managing learning and career development opportunities

6. Critical, Analytical and Integrative Thinking
7. Commitment to Continuous Learning

Teaching and Learning Strategy

Lecture and case study presentation:

- This unit is taught in a form of two hours of lecture & one hour of students' presentation.
- You must attend both lectures and presentations on weekly basis.
- Your weekly presentation is a team effort. You will form into small groups of 2-3 students during the first week in the presentation hour.
- Week-by-week list of the topics to be covered in lectures are placed at the end of the unit outline.

What are expected from students:

- Attend all lectures and presentations.
- Read assigned chapters of the text book.
- Download and print lecture notes that are posted on Moodle, review them before attending the lecture.
- Continuously monitor your portfolio that you have created according to the details of major assignment and report your rebalancing to the unit coordinator.

Research and Practice

- The Major Assignment in this unit gives students the opportunity to conduct their own research into some of the exotic portfolio investment opportunities in emerging markets, showing them how to find key information from equities, bonds, and cash data bases and apply them into an efficient allocation of assets in their portfolio.
- The case study is a research strategy, an empirical inquiry that allows students to investigate how investment funds are invested in projects in emerging market within a real-life context. As a result the students may gain a sharpened understanding of why a project is conducted in an emerging market, how its finances is arranged, and what might become important to look at more extensively in the future research.

Relationship between Assessment and Learning Outcomes

Assessment

There will be three items of assessment as follow:

(a) Major Assignment (20%)

Major assignment is the outcome of a team effort. You will form into small groups of 2-3 students during the first week in the presentation hour to create and manage a portfolio of assets in emerging markets. Portfolio management is both an art and a science. It is a dynamic decision making process, one that is continuous and systematic but also requires a great deal of judgment. The objective of this assignment is to blend theory and practice to achieve a consistent portfolio management process in emerging markets. Emerging-market investors are exposed to additional risks, including exchange rate fluctuations, adverse repatriation laws and fiscal measures, and macroeconomic and political distress. These elements clearly call for a different approach to investment decisions and portfolio management.

Submission date: 3pm, Friday November 4th.

Assignments handed in late will lose 20% for each day late.

(b) Project finance case study (20%)

Project finance case study is a weekly group presentation exercise. This study provide students with an opportunity to systematically look at project financing events in emerging markets, by collecting data, analysing information, and reporting the findings. Each student's group is expected to present a case and submit a written report once only. A list of cases with a short description will be distributed to the class in the first week and students can select the one that they prefer (on the first come first serve basis). Students who can't present their case in due week, are given another opportunity, if their reason for delay is legitimate.

(c) Final exam (60%)

The final examination for this unit will be held during the University Examination period. All of the questions are descriptive/calculative type. The exam will cover all of topics in the syllabus and it will be a closed book exam.

The learning outcomes being assessed are:

1. Characteristics of emerging financial markets.
2. Asset allocation, volatility and linkages in emerging capital markets.
3. Portfolio versus direct investment in emerging markets.
4. Political risk, currency risk, speculative craze, and market manipulation.
5. Systematic risk and alternative CAPM for emerging financial markets.
6. Liberalization and integration in emerging market.
7. Project finance in emerging economies.
8. Valuation of direct investment and the cost of capital in emerging economies.
9. Financial crises and their contagious effects in emerging markets.
10. Derivatives and hedging instruments in emerging markets.

The graduate capabilities being assessed are:

1. Problem solving in a range of settings
2. Communicating in a variety of contexts and modes
3. Working both autonomously and collaboratively
4. Working in an environmentally, socially and culturally responsible manner
5. Managing learning and career development opportunities
6. Critical, Analytical and Integrative Thinking
7. Commitment to Continuous Learning

Multiple choice diagnostic feedback test (0% weight)

A multiple choice test will be held on week 4 (26th of August) during presentation hour and will be 50 minutes in length. The purpose of this test is to give you some diagnostic feedback on your performance in the unit and your background knowledge. This test will cover topics 1 to 3, and some of the assumed knowledge. Answer to the questions will be provided at the end.

Students who are deemed to be at risk will be counselled by the Unit Coordinator on what action they need to undertake.

	Assessment Task 1	Assessment Task 2	Assessment Task 3
Title/Name	Major Assignment	Case Study	Final Exam
Description			3 hours exam, covering the whole syllabus
Due date			Final exam period
% Weighting	20%	20%	60%
Grading method - marking criteria - expectations in relation to presentation refer to attached marking rubric	Attached marking rubric	Attached marking rubric	Full response questions
Submission method	Written submission	Oral presentation and written submission	Formal examination
Feedback (<i>type, method, date</i>)	Students receive feedback after their submission	Students receive feedback the week after their presentation	
Estimated student workload (hours)	15 hours per week	15 hours per week	15 hours per week
Learning outcomes assessed	1-6, 10	4, 7, 8	1-10
Graduate capabilities assessed	1-4, 6	1-4, 6	1-2, 4-6

Examination:

Final examination:

A final examination is included as an assessment task for this unit to provide assurance that:

- i) the product belongs to the student and,
- ii) The student has attained the knowledge and skills tested in the exam.

A 3 hour final examination for this unit will be held during the University Examination period. All of the questions are descriptive/calculative type of questions. This exam will cover all topics covered in the unit. It will be a closed book exam. Nonprogrammable financial calculator is permitted in the final exam.

The University Examination period in Second Half Year 2011 is from 17th November to 8th December.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. The University's policy on special consideration process is available at http://www.mq.edu.au/policy/docs/special_consideration/policy.html

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period. (Individual Faculties may wish to signal when the Faculties' Supplementary Exams are normally scheduled.)

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at: <http://www.mq.edu.au/policy/docs/examination/policy.htm>

Academic Honesty

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- When the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

Grades

To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination and their overall assessment marks in the unit.

All final grades in the Department of Accounting and Finance are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University's Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a Standardised Numerical Grade (SNG). The Standardised Numerical Grade (SNG) is not a summation of the individual assessment components.

You may also refer to relevant degree rule in the Handbook of Postgraduate Studies.

Grading Appeals and final examination script viewing

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals.

Special Consideration

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by

unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:
http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

Student Support Services

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at
<http://www.student.mq.edu.au>.

IT Conditions of Use

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.

Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

Schedule of topics

Date	Week	Lecture Topic	Other Readings	Text Readings	Case Study
1 st Aug	1	Introduction	Lecture Notes Bein & Calomiris (BC), Ch 1	Sabal, Ch 1	Allocation in the first week
8 th Aug	2	Investing in Equities	Lecture Notes	Sabal, Ch 3-4	Case study
15 th	3	Investing in Direct Debt and Bond	Lecture Notes		
22 th	4	Measuring Return and Risk, Diversification	Lecture Notes, handouts, BC Ch 1	Sabal, Ch 2	
29 st	5	Asset Pricing Models in EMs	Lecture Notes, readings in Library Reserve	Sabal. Ch 6 - 7	
5 th Sep	6	FDI	Lecture Notes, readings in Library Reserve		
12 th	7	Project Finance	Lecture Notes, readings in Library Reserve	Sabal Ch 11	
3 th Oct	8**	Risk Analysis & Project Valuation	Lecture Notes	Sabal. Ch 8	

Date	Week	(Special) Lecture Topic	Other Readings	Text Readings	
10 th	9	Liberalization & Integration	Lecture Notes, Ch 3 BC, readings in Library Reserve		
17 th	10	Financial Crisis & Risk	Lecture Notes, Ch 8 BC, readings in Library Reserve		
24 th	11	Contagion	Lecture Notes, readings in Library Reserve		
31 st	12	Derivatives	Lecture Notes, readings in Library Reserve	Sabal Ch 9	
7 th Nov	13	Revision			

ACCG875 Major Assignment/Case Study Marking Rubric

Grade	Descriptive Heading	Range%	Midpoint %
HD+	Could not be any better!!	<u>75-100</u>	100
HD	Better than a D but not an HD+		85
D	A clear 1 st class answer. The paper has style and possibly displays originality. The reader can feel a keen mind at work.		75
C+	Better than a C but not a clear D.	65-74	74
C	Better than a C- but not a "C+" answer.		70
C-	A fundamentally correct answer. Demonstrating an overall high level of competence and a high level of understanding. The reader is in no doubt about the writer's meaning.	50-59	65
P+	Better than a P but not a clear C-.		64
P	Better than a P- but not a P+ answer.		60
P-	Basically a correct answer with possibly a number of minor errors or omissions. An adequate level of competence and understanding of the material is evident. The writer's intent may not, however, be always clear.	45-49	50
PC+	Better than a PC but not a clear P-.		49
PC	Better than a PC- but not a PC+ answer.	<u>44-Lower</u>	47
PC-	An about adequate answer with a number of serious errors or omissions. There is only limited evidence that the writer understands the material being presented.		45
F	The answer fails to address the main issues properly. Inadequate knowledge of the material is displayed.		