

Programme (UK and Qatar)	MSc Finance MSc International Finance and Investment MSc Business with Programme (for students taking the module)
Module Code:	MN0493
Module Title:	Investments and Risk Management
Distributed on:	25/01/2021
Submission Time and Date:	TBC
Word Limit:	3,000 words
Weighting	This coursework accounts for 100 % of the total mark for this module
Submission of Assessment	<p>Electronic Management of Assessment (EMA): This assignment should be submitted online via Turnitin by the given deadline. You will find a Turnitin link on the module's eLP site.</p> <p><i>It is your responsibility to ensure that your assignment arrives before the submission deadline stated above. See the University policy on late submission of work (the relevant extract is set out below).</i></p>

Instructions on Assignment:

In **Teaching Week 3 of Semester 2** you are instructed to engage in the following activities:

Assume you were approached by a client five years ago with £1000,000* to invest in the portfolio of equities. As an asset manager working for a reputable company in the city, you asked various questions related to risk appetite and investment objectives of the client who agreed to invest the fund passively for the first five-year period.

This year your client decided to invest the money actively for the 10-week period from teaching week 3 to week 12. In teaching week 3, you are therefore required to reinvest the realised money from passive investment in an active portfolio for which you have decided to make a thorough economic environment analysis and forecasting including a reassessment of your client's risk tolerance and investment objectives. In this active investment period, your client has agreed with you to make investment in Equities (stocks) and Fixed-Income securities (corporate bonds). The client has surplus fund so if the money available from the realisation of passive portfolio is less than £1000,000, the client will fund the difference amount to invest in the active portfolio i.e., you will have a minimum of £1,000,000 to invest in the new portfolio.

During the active portfolio management period of 10 weeks, you are instructed to select a range of suitable equities and bonds (only corporate bonds) for inclusion in the portfolio. In this period, you can buy, hold or sell securities. However, such decisions should be based on the findings of appropriate investment theory, models and relevant analysis. Additionally, you should compare your portfolio performance with suitable benchmark(s) and provide narrative interpretation of the evaluation.

You are encouraged to make use of the Bloomberg trading terminals for portfolio functionalities where available (but excel may be used).

* Should you decide to invest in currency other than GBP, you can take equivalent amount of £1000,000 and this conversion is allowed for both passive and active investments.

Required:

1. Report the major points of your discussions with the client. This should include construction of the portfolios and you should provide the detail of the allocation with justification demonstrating how the

asset allocation match the investor profiling. The allocation in the active portfolio should consider the market forecast. Your discussion should be supported by relevant theories and academic literature.

(15 marks)

2. Management of the stocks and bond portfolio (active portfolio only): Details of changes made including reflection on strategy selected and reasons for portfolio restructuring. You should undertake a minimum of three rebalancing. Your rebalancing strategies should be supported by relevant investment theories and assets pricing models.

(30 marks)

3. A final evaluation of overall performance (for both the active and passive portfolio) as at the end of Teaching Week 12 carried out using suitable quantitative measures including both the absolute and relative performance evaluations. You should explain the performance difference between your portfolio and the given benchmark(s) using risk adjusted and other techniques, such as tracking error and attribution analysis.

(40 marks)

4. In line with the Value at Risk method of risk measurement, explain the risk exposure faced by your client's portfolio. Client has also requested information about hedging risk using derivative instruments. As such, this section of your report should include relevant literature for VaR, risk exposure, and an illustrative example of hedging using Derivatives.

(15 marks)

Late submission of work

Where coursework is submitted without approval, after the published hand-in deadline, the following penalties will apply.

For coursework submitted up to 1 working day (24 hours) after the published hand-in deadline without approval, **10% of the total marks available for the assessment** (i.e.100%) **shall be deducted** from the assessment mark.

For clarity: a late piece of work that would have scored 65%, 55% or 45% had it been handed in on time will be awarded 55%, 45% or 35% respectively as 10% of the total available marks will have been deducted.

The Penalty does not apply to Pass/Fail Modules, i.e. there will be no penalty for late submission if assessments on Pass/Fail are submitted up to 1 working day (24 hours) after the published hand-in deadline.

Coursework submitted more than 1 working day (24 hours) after the published hand-in deadline without approval will be regarded as not having been completed. **A mark of zero will be awarded for the assessment and the module will be failed**, irrespective of the overall module mark.

For clarity: if the original hand-in time on working day A is 12noon the 24 hour late submission allowance will end at 12noon on working day B.

These provisions apply to all assessments, including those assessed on a Pass/Fail basis.

Word limits and penalties

If the assignment is within +10% of the stated word limit no penalty will apply.

The word count is to be declared on the front page of your assignment and the assignment cover sheet. The word count does not include:

- Title and Contents page
- Reference list
- Appendices
- Appropriate tables, figures and illustrations
- Glossary
- Bibliography
- Quotes from interviews and focus groups.

Please note, in text citations [e.g. (Smith, 2011)] and direct secondary quotations [e.g. “*dib-dab nonsense analysis*” (Smith, 2011 p.123)] are INCLUDED in the word count.

If this word count is falsified, students are reminded that under ARNA page 30 Section 3.4 this will be regarded as academic misconduct.

If the word limit of the full assignment exceeds the +10% limit, 10% of the mark provisionally awarded to the assignment will be deducted. For example: if the assignment is worth 70 marks but is above the word limit by more than 10%, a penalty of 7 marks will be imposed, giving a final mark of 63.

Students must retain an electronic copy of this assignment (including ALL appendices) and it must be made available within 24hours of them requesting it be submitted.

Note: For those assessments or partial assessments based on calculation, multiple choice etc., marks will be gained on an accumulative basis. In these cases, marks allocated to each section will be made clear.

Time limits and penalties for presentations

The time allocated for the presentation must be adhered to. At the end of this time, the presentation will be stopped and will be marked based on what has been delivered within the time limit.

Academic Misconduct

The Assessment Regulations for Northumbria Awards (ARNA) contain the ***Regulations and procedures applying to cheating, plagiarism and other forms of academic misconduct.***

The full policy is available at: <http://www.northumbria.ac.uk/sd/central/ar/qualitysupport/asspolicies/>

You are reminded that plagiarism, collusion and other forms of academic misconduct as referred to in the Academic Misconduct procedure of the assessment regulations are taken very seriously by Newcastle Business School. Assignments in which evidence of plagiarism or other forms of academic misconduct is found may receive a mark of zero.

Mapping to Programme Goals and Objectives:

This assessment will contribute directly to the following Postgraduate programme goals and objectives.

Goal One: Be independent, reflective critical thinkers

x	1. Demonstrate awareness of their personal strengths and weaknesses through critical reflective practice.
x	2. Understand and challenge personal patterns of thinking and behaving.

Goal Two: Be culturally and ethically aware

	1. Demonstrate their ability to work in diverse groups and teams.
x	2. Reflect on their own ethical values.

Goal Three: Have developed leadership and management capability

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| | 1. Demonstrate their personal contribution to team effectiveness. |
| x | 2. Communicate complex issues effectively. |
| x | 3. Demonstrate decision making and problem solving skills. |
| | 4. Carry out presentations and lead discussions. |

Goal Four: Have developed and applied knowledge of international business and management theory

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| x | 1. Acquire, interpret and apply knowledge of international business, management and organisational functions. |
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Goal Five: Have developed a range of research skills and project capabilities

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| x | 1. Plan and complete a major individual piece of research on a contemporary business, management or leadership topic of their choice. |
| x | 2. Demonstrate skills of analysis and synthesis in the application of research methods to the exploration of contemporary business issues. |

Goal Six: Have developed specialist knowledge about the theory and practice of your programme of study

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| x | 1. Demonstrate specialist functional knowledge in relation to your programme of study. |
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Module Specific Assessment Criteria

Required	0 - 39 Standard Not Met 1(Fail)	40 – 49 Standard Not Met 2 (Fail)	50 - 59 pass Meets Standard 1 (Pass)	60- 69 Pass Meets Standard 2 (Commendation)	70 – 79 Exceeds Standard 1 (Distinction)	80 - 89 Exceeds Standard 2 (Distinction - 80s)	90 - 100 Exceeds Standard 3 (Distinction and Outstanding)
Q. 1 Investment Philosophy 15%	*Limited or very poor understanding shown on investment philosophy, strategies, market view, and asset allocation concept. The link between theory, assumptions, investor's profiling and the investment decisions is again either very poor or missing.	Insufficient:: *explanation of investment approach, strategies market view, and asset allocation decisions – but lack of support from theories; lack of clarification of the assumptions used; weak market view. Asset allocation decisions do not match investor profiling or limited.	Good : *some good discussion of investment approach and strategies which may have a link to and support from theories *discussion of market view with some good assumptions and based on facts although limited*discussion of asset allocation decisions but the theory can provide more support, good link between asset allocation decisions and investor profiling.	Very good : *discussion of investment approach, strategies which are linked to and supported by theories. *discussion of market view which is fact based and established on the clear assumptions. *discussion of asset allocation decisions which is clearly linked to investor profiling.	Excellent*discussion of investment approach, strategies which are very well linked to and supported by theories. *discussion of market view which is fact based and established on the clear and most appropriate assumptions.*discussion of asset allocation decisions which is clearly linked to investor profiling, and supported by asset allocation optimisation process.	Outstanding *discussion of investment approach, strategies and linkage with theories that are exemplary. *discussion of market view which is fact based and established on the clear and most appropriate assumptions.*discussion of asset allocation decisions which is clearly linked to investor profiling, and supported by asset allocation optimisation process.	Outstanding and unusually strong *discussion of investment approach, strategies and linkage with theories that are exemplary. *discussion of market view which is fact based and established on the clear and most appropriate assumptions. *discussion of asset allocation decisions which is clearly linked to investor profiling, and supported by asset allocation optimisation process.
Q2. Rebalancing 30%	*Poor, limited or no discussion of rebalancing strategies; weak understanding and application or no application of models to back up investment decisions; poor or no academic literature review;	*Inadequate discussion of rebalancing strategies; some link to and supported by investment theories; understanding and application of models to back up investment decisions but not good enough; academic literature review may be available but there is no clear direction; reflections showing poor understanding of finance theories.	*Good discussion of rebalancing strategies; which are linked to and supported by relevant traditional investment theories *good understanding and application of models to back up your investment decisions; *academic literature review which demonstrates a good understanding of the big picture in investment areas.	*Very good discussion of rebalancing strategies; which are linked to and well supported by relevant traditional investment theories * very good understanding and application of models to back up your investment decisions *academic literature review; which demonstrates a very good understanding of the big picture in investment areas.	*Excellent discussion of rebalancing strategies which are robustly linked to and fully supported by relevant traditional investment theories * excellent understanding and application of models to back up your investment decisions; *academic literature review which demonstrates a deep understanding of the big picture in investment areas.	*Highly detailed research and exemplary discussion of rebalancing strategies which are robustly linked to and fully supported by relevant traditional investment theories * Outstanding understanding and application of models to back up your investment decisions; *academic literature review which demonstrates a deep understanding of the big picture in investment areas.	*Unusually strong * detailed research and exemplary discussion of rebalancing strategies which are robustly linked to and fully supported by relevant traditional investment theories * understanding and application of models to back up your investment decisions; *academic literature review which demonstrates a very deep understanding of the big picture in investment areas.
Q. 3 Evaluation 40%	Poor, Limited or No: *awareness of risk adjusted return measures and performance attribution analysis*calculation of portfolio's performance as well as benchmark performance *performance attribution analysis, tracking error * evaluation and understanding of asset allocation skills and share selection skills *academic linkage for both active and passive and other strategies.	Inadequate:*awareness of risk adjusted return measures and performance attribution analysis*calculation of portfolio's performance as well as benchmark(s) performance *performance attribution analysis, tracking error *linking of results with irrationality where relevant * evaluation and understanding of asset allocation skills and share selection skills *academic linkage for both active and passive and other strategies.	Good:*awareness of risk adjusted return measures and performance attribution analysis*calculation of portfolio's performance as well as benchmark(s) performance *performance attribution analysis, tracking error * evaluation and understanding of asset allocation skills and share selection skills *academic linkage for both active and passive and other strategies.	Very good: *awareness of risk adjusted return measures and performance attribution analysis*Calculation of portfolio's performance as well as benchmark(s) performance *performance attribution analysis, tracking error * evaluation and understanding of asset allocation skills and share selection skills *academic linkage for both active and passive and other strategies	*Excellent: *awareness of risk adjusted return measures and performance attribution analysis*calculation of portfolio's performance as well as benchmark(s) performance *performance attribution analysis, tracking error *linking of results with irrationality where relevant * professional presentation, evaluation and understanding of asset allocation skills, *academic linkage for both active and passive and other strategies	*Outstanding: *awareness of risk adjusted return measures and performance attribution analysis*calculation of portfolio's performance as well as benchmark(s) performance *performance attribution analysis, tracking error *linking of results with irrationality where relevant * professional presentation, evaluation and understanding of asset allocation skills, *academic linkage for both active and passive and other strategies	Outstanding *awareness of risk adjusted return measures and performance attribution analysis,*calculation of portfolio's performance as well as benchmark(s) performance *performance attribution analysis, tracking error *linking of results with irrationality where relevant * professional presentation, unusually strong evaluation and understanding of asset allocation skills, *especially strong academic linkage for both active and passive and other strategies
Q.4 VaR and Derivatives 15%	Incomplete or part of work may be missing.	Evidence of limited knowledge, VaR/ Derivatives may be incomplete	Good: Knowledge of VaR computation. *one illustration of hedging strategy using Derivatives (such as, options). Adequate interpretation of the presented results and some literature.	Very good: Knowledge of VaR computation. *one illustration of hedging strategy using Derivatives (such as, options). Very good interpretation of the presented results and discussions of relevant literature.	Excellent: Knowledge of VaR computation. *illustration(s) of hedging strategy using Derivatives (such as, options). Excellent interpretation of the presented results and discussions of relevant literature.	Outstanding: Knowledge of VaR computation. * illustration(s) of hedging strategy using Derivatives (such as, options). Outstanding interpretation of the presented results and discussions of relevant literature.	Outstanding: *Knowledge of VaR computation. * illustration(s) of hedging strategy using Derivatives (such as, options). Outstanding and especially strong interpretation of the presented results and discussions of relevant literature.

Note: Students are advised to retain an electronic copy of their assignment answer.