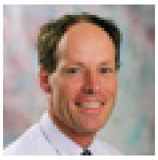
THE UNIVERSITY OF MELBOURNE

TAKING STOCK

DEPARTMENT OF FINANCE ALUMNI NEWSLETTER
AUGUST 2009

INSIDE

Department Update for 2009 – Semester 1



Head of Department Professor Paul Kofman

While still smarting from the repercussions of the Global Financial Crisis, financial market volatility seems to be returning to pre-crisis levels. Throughout it all, the Australian financial sector has proved to be remarkably resilient. The Department has certainly not suffered from any drop in student interest due to a perceived lack of future job opportunities. Quite the opposite, we have had to schedule additional streams in all of our major subjects to cater for a surprise surge in enrolments. It is also noteworthy that our finance industry connections have been at pains to communicate with our students the ongoing internship and graduate career opportunities.

With the exam results just released and our student evaluations revealed, it is ever so pleasing that student appreciation has again increased – a remarkable feat. Hardly surprising then, that one of our star teachers, Sean Pinder, has received prestigious recognition by being awarded the 2009 Citation for Outstanding Contributions to Student Learning awarded by the Australian Learning and Teaching Council. Sean's citation is: *for the development and implementation of numerous effective innovations in teaching finance and the successful engagement with practitioners in these innovations*. With prestigious financial institutions queuing up to be(come) part of the ever so successful *Corporate Finance in Action* series, it is clear that Sean's initiative has been embraced by town and gown.

In May, the Department of Finance at the University of Melbourne formally became a Program Partner of the CFA Institute, the global association for investment professionals that awards the prestigious CFA® designation. The partnership covers our Master of Finance (MFin) and Bachelor of Commerce (Major in Finance) programs. The partnership means that the MFin program covers at least 70 percent of all three levels of the CFA Program Candidate Body of Knowledge™ topics, while the BCom(Finance) program covers at least 70 percent of the CFA Level I topics. Both programs cover the CFA Institute ethical and professional standards, and other CFA Program Partner requirements. To ensure this latter requirement, the Department will start offering an intensive-mode *Ethics in Finance* subject from 2010 onwards. This subject will be offered as a third-year undergraduate Summer elective in the BCom program, and as a postgraduate Winter elective in the MFin program.

Recognition as a CFA Program Partner signals to students, employers, and the marketplace that our university curriculum is closely tied to professional practice and is well suited to preparing students to sit for the CFA exams.

This newsletter provides you with an overview of the latest developments and achievements of our Department of Finance. Do let us know what you think of the newsletter and where we could improve, but above all please do keep us informed of your whereabouts!

MDRG 2009 Finance Down Under Conference

Professor Michael Brennan (UCLA)

Our visitor and seminar programs have gone from strength to strength in recent years. While some of our visitors deliver outstanding teaching contributions, their most significant contribution is to enhance the research environment in our Department. In first semester, we welcomed Michael Brennan (UCLA), Louis Ederington (University of Oklahoma), Stephen LeRoy (UC Santa Barbara) and Richard Stapleton (University of Manchester) to our shores. In addition to PhD Master Classes and seminars, they were also our keynote speakers at the 2009 MDRG Finance Down Under conference, held in April. They certainly rose to the challenge of making their presentations topical, as Brennan's lecture on tranching and rating revealed the sheer extent of arbitragable mispricing in the CDO/CMO/CLO debt markets, while LeRoy's lecture highlighted the underlying characteristics of the debt crisis by analysing a micro-level sub-prime US mortgages database. This annual one-day conference attracted a large number of submissions of which the programme committee selected just 10 papers to allow ample time for presentation and discussion in two parallel sessions. Programme and papers can still be found on the conference website: http://www.finance.unimelb.edu.au/research/DDU09/Papers.html

The MDRG will host the **2010 Finance Down Under conference** on 25 March 2010. Confirmed keynote speakers include Maureen O'Hara (Cornell University). The Department of Finance – in collaboration with the Department of Economics and NCER – was also awarded the right to host the prestigious **2010 Society of Financial Econometrics (SoFiE) conference** on 16-18 June 2010. Please visit our web site for further details/updates on both conferences.

The Melbourne Centre for Financial Studies – consolidation, evolution and growth

With MCFS Director Professor Kevin Davis on sabbatical at the University of Manchester, Acting Director Professor Deborah Ralston aptly assisted by David Michell and John Fowler, has completed a comprehensive strategic review of the Centre with an eye towards its sustainable future. Impetus for this review was the just concluded renewal of the founding/funding agreement until 2011. Presenting a challenge was the decision by founding chairman John Unkles to step down to pursue a new career opportunity as director of a major charitable fund. John has been instrumental in the establishment of the Centre, and has seen it through a very successful first term. He will be succeeded as chairman by Syd Bone (former CEO of Victorian Funds Management Corporation).

In addition to a strategic review, Professor Ralston simultaneously embarked the Centre on two exciting new initiatives. The annual Melbourne Financial Services Symposium is considered the primary networking event for Australia's funds management industry. MCFS is very pleased to become custodian of this event on behalf of Melbourne's financial services community. The second initiative, funded by the Victorian State Government, involves the Centre in a partnership with Mercer to perform the first comprehensive study on the robustness, integrity and capacity of public and private pension systems in ten countries world-wide. This comparative study is expected to attract significant academic interest and media comment.

A series of recurring industry/academic events continue to be the premier vehicle by which MCFS creates opportunities for academics to mix with like-minded finance practitioners. The 14th Melbourne Money and Finance Conference, sponsored by ANZ, APRA, CBA, RBA and NAB took place in June. This year's theme was: Financial globalisation – implications for Australian Financial Institutions and Markets. Recent industry-focused events included the MCFS-Finsia Executive Luncheon series which hosted renowned Satyajit Das who spoke on: *Voodoo banking – the outlook for banks*; the AIST-MCFS Superannuation Fund Governance Conference, with the theme: *Superannuation board governance – Search for a super model*; the MCFS-Janus Capital Funds Forum Series hosted Robert Garvy (CEO of Enhanced Investment Technologies) who gave a talk on *Stochastic portfolio theory – using maths to generate alpha*; the MCFS Finance Forum sponsored by AFM Investment Partners which hosted Geremy Connor (Director of Attalus Capital) who spoke on: *The future of hedge funds*; the Occasional Seminar Series sponsored by Ernst & Young hosted Professor Daniel Rösch (Leibniz University Hanover) and Dr Harry Scheule (University of Melbourne) who spoke on *Forecasting credit portfolio losses for economic downturns*. The event also included their book launch of *Stress Testing for Financial Institutions*. For papers and proceedings of past events, as well as for announcements of upcoming events, see: www.melbournecentre.com.au.

Following its strategic review, the Centre has recast its research objectives to better align with industry and community need. While *Funds management* remains a major focus, *Banking and financial markets* will receive renewed attention in the wake of the Global Financial Crisis. *Insurance risk pricing and risk allocation* has also been identified as an area in dire need of (academic) research. To facilitate the focus on these research themes, a number of research reference groups will be established, including academics, practitioners, association and regulatory representatives.

Research Programs Update

Dr Harald (Harry) Scheule (left): MCom Coordinator
Assoc. Prof. John Handley (right): PhD Coordinator

Since the start of the year, we have taken over as the coordinators of the MCom and PhD programs respectively and in doing so would like to express our sincere thanks to Associate Professor Greg Schwann for his past leadership and development of these important Finance programs. With Greg's tremendous support during the transition process, we have each been able to quickly step into our new roles.

Research and knowledge transfer in Finance are important. Over the past two and a half years, the world's financial system has gone through its possibly greatest crisis. While previous crises such as the collapse of the US banking system between 1929 and 1933 have focused on certain regions, the current happenings have a global character. The crisis has shown that the world needs a healthy financial system to support our living standards, and highlighted the responsibilities carried by the Finance discipline in general and also by research and teaching institutions such as our own.

It is our view that high quality research in Finance will help restore confidence in financial markets, institutions and instruments with a view to minimizing the potential for similar occurrences in the future. In this way, our research programs – the MCom and PhD – have perhaps never been more important than they are now.

Our current MCom students have quickly responded to this challenge and responsibility in their research reports. For example, Wenjun Ding investigates the remuneration of managers of financial institutions while Edwin Tijoe measures the value of Basel II requirements for emerging countries.

This semester, ten students have shown that hard work does pay off. We congratulate the students upon the completion and final submission of their MCom research reports:

Rangika Dissanayake, Iddamalgoda: *Systematic Risk and A-REIT Debt Characteristics*

Jian Zhu: *Underpricing of Foreign IPOs in the U.S. Market: Comparison of American Depository Receipts (ADRs) IPOs and U.S. IPOs*

Chi Chong Foo: *Stock Price Performance Surrounding Actual Share Buybacks: Evidence from Australia.*

Guilherme Rocha Gomes: *Cross-Sectional Behaviour Of The Volatility Dynamics Of Crude Oil And Natural Gas Futures With An Application To Value At Risk*

Mintwab Mesfin Tafesse: *Financial Contagion from Hedge-funds to Financial Markets*

Nan, Yin: *Do Quality of Earnings and Cash Flows Reflect Stock Returns? An Event Study Using Japanese Market Data.*

Monica Yoanita, Octavia: *Short Selling Constraints and Market Price Efficiency: the Case of Australian Market*

Ali Jafar, Al Dawood: *Determinants of Underpricing in Saudi Arabian IPOs*

Bo, Zhou: *Does the Positive Tradeoff between Risk and Return Still Hold during Sub-prime Mortgage Crisis?*

Yen Quynh, Le: *Dividend Catering Theory Evidence in Australian Stock Market*

Regarding the PhD program, it is a pleasure to announce that we accepted five new students into the program at the start of the year – representing our largest single intake ever. Whilst the first year is largely taken up with coursework, all students are carefully assessing topics on which to base their thesis during the remainder of their candidature.
No doubt there was much food for thought arising as a result a number of special classes held during semester one by several leading international finance academics including Professor Michael Brennan (from UCLA and University of Manchester) and Professor Louis Ederington (from University of Oklahoma). We thank both Michael and Lou for the valuable insights they were able to share with our students.

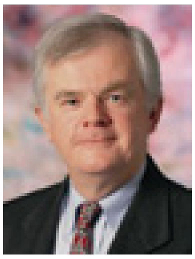
Finance Honours Alumni

Dr Ian O'Connor: Honours Program Coordinator

One of the Department's goals is to provide opportunities for its alumni to keep in touch with each other and with the Department. Unfortunately, over time we inevitably lose touch with many of our alumni as they have moved interstate or overseas in the pursuit of furthering their careers. In years past, recent generations of our Honours alumni have gathered at an Annual Alumni Dinner organized and hosted by the Department of Finance. Our wish is for this tradition to continue, but a few years ago we decided that it had to be the alumni themselves (rather than by Department initiative) to sustain the Honours alumni network. We were therefore pleasantly surprised that we were recently contacted by Ken Wong (Honours, 2007) expressing his wish to reinvigorate *The University of Melbourne Finance Honours Alumni* network. We (and Ken) suspect that many of our alumni do keep in contact with each other and we also share Ken's belief that *The University of Melbourne Finance Honours Alumni* network has the potential to be a powerful and far reaching network. For that reason, we are reaching out to you in order to re-establish this Honours alumni network.

We would appreciate it very much if you would reply to finhon-alumni@unimelb.edu.au with your current contact details (name, company, position, address, email, phone & year honours completed), as well as forward this email to any Finance Honours alumni that you may know the whereabouts of. We know that many of you keep in contact with your cohort, and we would like to utilise these networks in order to expand the network. It is currently proposed that an Honours Alumni Dinner will be held in Melbourne in the 4th quarter of 2009, so please stay tuned for further details.

Professional Programs Update



Professional Programs Coordinators
Dr Sean Pinder (left):
Master of Finance
Dr Les Coleman (right):
Master of Applied Finance

Although I have been fortunate to have been teaching subjects in the Master of Applied Finance program since joining the department, my newly adopted role as Program Co-ordinator has provided new insights. The most striking has been the very wide range of extra-curricula opportunities available to students. Some are casual ranging from impromptu lunches to well-organised ski weekends. Others are more formal such as the Graduation Dinner where dressing up is mandatory. Another insight is into the extensive support provided to students ranging from helping with careers advice to more general assistance, such as that offered by the faculty's Teaching and Learning Unit. A third insight has been into the range of subject offerings. The MAF is unashamedly a specialist-finance degree aimed at providing a solid academic basis for practicising finance managers. Thus we protect the integrity of the student cohort by enforcing work requirements; and we protect the degree's rigour through a breadth of finance subjects, where considerable effort has been made to blend both practice and theory. Adding value in this is that a number of subjects are taught by academically qualified adjunct staff who bring their real-time professional experience to bear on teaching. We also benefit greatly from very high profile, northern hemisphere academics who teach intensive courses to consistent acclaim from students. Reflecting the success of the degree, enrolments in the MAF have been little affected by recent turmoil in financial markets. We are confident that this degree provides excellent return to professionals seeking robust financial training.

ARE YOUR DETAILS UP TO DATE?

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