

Department of Finance Faculty of Economics and Commerce

Editorial

The Department of Finance encourages the development of valuable professional and personal networks by fostering our Department's alumni. Membership of the Department's alumni is automatic for students graduating with Honours in Finance as part of a Bachelor of Commerce or completing Postgraduate studies in finance. To ensure you continue to be a part of this growing professional network providing access to current developments across the finance industry both locally and worldwide, ensure your contact details are kept up to date. You can revise your contact details at any time by sending an email to fin-alumni@unimelb.edu.au

We hope you find this issue a worthwhile and enjoyable read. Essentially, this publication is targeted to you as an alumnus and we encourage you to forward us a story of interest or your professional profile to feature in an issue. Any ideas or suggestions for future publications are welcomed, and can be sent to fin-acadserv@unimelb.edu.au

Kind regards,

Silvia Barberoglou and
AnnMaree Murray,
Academic Liaison Officers

Department Update



Paul Kofman

Head of Department

With second semester coming to a close, it is time to take stock of our 2006 achievements and face the challenges for 2007 and beyond. The Melbourne Model strategic changes are now well and truly under way to significantly alter the undergraduate and postgraduate landscape. The Bachelor of Commerce will remain, but will be revamped as a new generation degree. From 2008, commencing BCom students will include 6 breadth subjects in their degree, to be sourced from Faculties other than our own. Of course, many of our current students already include Law, Science, and Arts subjects in their degrees, but we will nevertheless need to ensure that our students acquire sufficient depth in their finance specialisation. At the same time, we expect to be catering for a significant cohort of non-commerce students who seek their breadth component within our Faculty's offerings. Introductory Finance, and in particular our Personal Finance subjects, are likely to be popular choices for those students.

The future of our Honours program now seems well and truly secured, but we may need to revisit the entry skills and investigate a possible need for bridging programs, following the inevitable reduction in the depth of our students' finance preparation. On the positive side, our professional programs (MAF and MFM) are taken as examples of how the other faculties should structure their new generation postgraduate degrees. We welcome the University's increased emphasis and support for postgraduate education, and also see considerable benefits in the aim to develop specialised and tailored executive education programs. Les Coleman and Sean Pinder's successful executive education program in Corporate Finance (run in conjunction with the FTA and KPMG) is a good example of this could work.

Last but certainly not least, the Department has been very successful in securing competitive research grants from the prestigious Australian Research Council (ARC) grant scheme for funding from 2007-2009. An ARC Linkage grant was awarded to Christine Brown, Les Coleman and Kevin Davis (partnered with Ernst & Young and the FTA) for their project Risk Management Policies and Practices of Major Australian Firms. ARC Discovery grants were awarded to Bruce Grundy for his project Storage and the Hotelling Valuation Principle: Understanding the Dynamics of the Oil Industry, and to Greg Schwann and Qi Zeng for their project Consumption, Financial Wealth, and Housing Wealth over the Long Run. The success rate for these highly competitive, peer assessed grant applications is less than 20%, making this a truly outstanding achievement. Add to that a long list of publications by our staff in the last few months, and appearances at all major international finance conferences, and we can only conclude that it's been a very good year. Let's capitalize on that in 2007!

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Honours Update



Ian O'Connor

Time flies when you're having fun, and when you're trying to complete the Research Essay in Finance. With the final submission date for the Essay looming, the 2006 Finance cohort are dreaming of life after its completion. But 2006 has not been all hard work. In August the 2006 group joined with members of the Honours Alumni for the annual Finance Honours Alumni dinner. This year the event was held down town this year at the Melbourne Town Hall. Despite the challenges presented by the taxi drivers blockage of the city on the evening of Friday 11th August everyone managed to get to the dinner. The guest speaker on the evening was Ben Gray from Newbridge Capital. Ben is himself a Finance Alumnus, having graduated with First Class Honours from the University of Melbourne in 1993 and with High Distinction (Baker Scholar) from Harvard Business School. Guests on the night included Professor Kevin Davis, from Melbourne Centre for Financial Studies, Cristian Duclos and Christian Johnston from Goldman Sachs JBWere,

Joshua Blakey presented his paper titled A nonparametric analysis of implied correlation curves at the 2006 National Honours Colloquium held at the University of New South Wales in August. The colloquium is an annual event sponsored by industry and provides an important opportunity for Australian and New Zealand students to present their research ideas and network with others. Joshua's supervisor is Dr Harald Scheule.

On the publication front, Anna Griffiths, Finance Honours 2004, and her supervisor, Andre Gygax, have had a paper titled Do Venture Capitalists Imitate Portfolio Size? accepted for publication in Financial Markets and Portfolio Management.

Professional Programs Update

MAF and MFM - our dynamic duo



John Handley



Sean Pinder

As we near the end of 2006 one cannot help but be surprised at how quickly time passes by. As a student I recall that other than for the first few weeks of semester, each subsequent week seemed to get progressively shorter and shorter, particularly as assignments, tests and exams started to appear on the horizon!! The same is true for academic and administrative staff. What is clear here is that a necessary condition for success - whether that be as a student or in your career - is good time management skills. We all face competing demands at various times and at some times, those demands just seem insurmountable. This is when the ability to not only manage your time but to manage your time efficiently is critical. There are enormous rewards from being able to "work smarter not harder" - although of course, there are also times when long hours just can't be avoided.

The professional programs that we offer at Melbourne are challenging. We set the hurdle high on entry and we expect a lot of our students. We also know that you expect a lot from us. But we do this with good intentions. Our programs are purposely designed to provide our graduates with not only the credentials and technical financial and analytical skills that are necessary to compete in an ever changing and increasingly globalised financial world, but also with enhanced time management skills.

During 2006 we have seen increased interest in our three programs, the Postgraduate Diploma in Finance, the Master of Financial Management and the Master of Applied Finance and we expect this to continue into 2007. We are proud of our graduates and we believe that, as graduates, you are the best marketing tool we have to ensure the continued success of our programs.

No doubt many of you would have been aware that Sean Pinder has been on sabbatical during semester 2, 2006. Sean is due to return in early 2007 when he will once again assume the role of academic director of the Postgraduate Diploma in Finance and the Master of Financial Management. I suspect he too is currently pondering how quickly time flies.

As a final point I would like to take this opportunity, on behalf of Sean and myself, to sincerely thank the administrative staff in the Department and the Faculty over the past year. It is only through their professionalism and skill that our programs run so smoothly. So enjoy the summer and all the very best in 2007.

Research Programs Update



Greg Schwann

The doctrine of sunk costs is one of the first lessons in economics and finance. It means that past choices cannot be altered and, therefore, one must focus on the future and the quality of future choices. With this in mind, and with 2006 drawing to a close, let's look to 2007 and what it may bring.

First, PhD recruitment closed on a high note in 2006, with six students entering in 2007. Three of these are international students and three are domestic students. This is better than we have done in a number of years. Is the Melbourne Financial Guarantee working? We hope so. Our 2007 choices centre on how to continue this trend.

MCom admissions are not closed until February 2007 so the size of the 2007 MCom class is still unknown. We have processed more applications than in past years and made more offers. We are keeping our fingers crossed for a class that is just right - not too big and not too small.

Our 2007 choices concerning the MCom will be strongly influenced by the advent of the Faculty's new postgraduate school. The new postgraduate school is part of the Melbourne Model. One of the most basic choices is whether the MCom should be part of the postgraduate school or whether, as a research program, it fits better within the School of Graduate Studies. Other questions and choices are: should the MCom be restructured to take advantage of the 2-3-3 year structure of degrees under the Melbourne Model? How should the Honours program fit together with the MCom in the 3-2-3 configuration? How do we enhance the job prospects of MCom graduates? If you have an opinion on these questions, let me know.

Undoubtedly, more choices will emerge as the year progresses. However, as we all know, change is the only constant.

Let me sign off with the following. Your 2006 choices are sunk. Have a Happy New Year. May your 2007 choices be good ones.

THE MELBOURNE CENTRE FOR FINANCIAL STUDIES rapidly bridging the gap

A year has passed since a consortium of three Melbourne universities (RMIT, Monash, and The University of Melbourne) established the Melbourne Centre for Financial Studies (MCFS), generously co-funded by the government of Victoria. Its director, our own Professor Kevin Davis, has shown tremendous energy in developing, organizing and hosting a raft of activities creating greater collaboration and linkages between academe and the financial services industry.

In its first year, the MCFS has funded over 20 research projects, organized and hosted conferences, workshops, training programs and symposia focused on practitioners, academics and frequently to a mixed audience of both. It has also identified three research areas of focus, i.e. funds management, financial regulation and new financial markets. The funds management research stream is headed by Graham Cocks, a name familiar to many of our MAF and MFM alumni.

A few examples of the MCFS activities include: the very successful Melbourne and Sydney symposia on Off-Market Share Buybacks organised in conjunction with the Australian Financial Review and sponsored by UBS; a sequence of Finance Forums on such diverse topics as energy reform, corporate social responsibility, hedge funds, and the cost of capital for regulated industries; the 11th Finsia - Melbourne Centre Banking and Finance Conference with David Murray as conference dinner speaker elaborating on the many benefits of Australia's Future Fund to Melbourne's financial services and education sectors. Topping off this very successful year is the inaugural International Distinguished Lecture by The Governor of the Bank of England, Mervyn King - his only public presentation while visiting Australia in December 2006. Well done to Kevin and his team for delivering such an abundance of topical and exciting events!

Staff

We warmly welcome:

Gil Aharoni, MS (Comp Sc) Tel-Aviv, MBA Herriot Watt University, Edinburgh, Scotland.

Gil joined the Department of Finance at the University of Melbourne in August 2006. He completed a graduate degree in Economics and Political Science, MBA and a Ph.D. in Finance at Tel Aviv University.

Before moving to Melbourne he had a visiting position at the Interdisciplinary Centre in Israel. Current research interests include: Asset Pricing, The Rationality of Economic Agents and Microstructure.

Gil is currently working on the following:

Hot hands in Basketball and Equilibrium (with Oded Sarig),
The Dark Side of Low BM Stocks and Asset Pricing Anomalies (with Avner Kalay),
IPO, R&D and Long Shot Bias (with Dan Weiss),
Transfer of Information between Option and Stock Markets (with Qi Zeng).

JP Morgan Competition An Experience:

By Benjamin Ng and Wansaja Wettasinghe

'The Deal' Competition run by JPMorgan, was an extremely challenging and rewarding experience, providing all involved with an insight into the dynamics of real life decisions in investment banking.

The competition was held during the second semester of 2006 and involved the analysis of a business case study relating to an acquisition of a fictional brewery. Teams were required to analyse the financial strength of the target company, and perform a detailed analysis of the takeover.

Over 200 teams from UNSW, University of Sydney and University of Melbourne submitted written proposals presenting their recommendations to JPMorgan with the top 10 teams from each university being chosen to present in front of a board of academics and JPMorgan analysts.

The winning teams from each university then competed in JPMorgan's Melbourne office for the National title. After a gruelling session of presentations and questions from a board of JPMorgan Managing Directors, the team from the University of Melbourne were announced National Champions.

The winning team did not have much time to celebrate as they were flown to Sydney the next day to compete in the Asia-Pacific finals against the team from Fudan University, China. Both teams arrived early on Saturday morning and were treated to a day of sightseeing with JPMorgan representatives.

Teams were delivered a fresh case study based on Cadbury-Schweppes at 9am on Sunday morning and were given 32 hours to prepare and submit their recommendations. The objective was to provide strategic advice to the Board regarding Cadbury's recent market underperformance. The standard of the competition was extremely high, and both teams presented well. After drawn out deliberations, Melbourne University were announced Asia Pacific Champions.

Participation in 'The Deal' not only required the use of initiative to apply theoretical knowledge to practical cases but also enabled the teams to gain an insight into the value of team work.

Overall, the experience has been an extremely steep but enjoyable learning curve. The team from Melbourne University would like to thank the Faculty for their generous support throughout the entire competition.

The Melbourne Team included Benjamin Ng, Daniel Norman, Kimberley Pham, and Wansaja Wettasinghe.



A Winning Team

DEPARTMENT OF FINANCE GETS INTO EXECUTIVE EDUCATION

The University of Melbourne this year enthusiastically adopted a strategic plan, Growing Esteem, a key component of which is increased emphasis on encouraging greater interaction between the university and the wider community as a whole. In recognition of this, the Department of Finance has undertaken a range of activities designed to promote the exchange of ideas between its faculty members and the greater business community.

One very successful example has been the department's involvement in specialized executive education programs. For example, Dr Les Coleman and Dr Sean Pinder have been involved in the design and delivery of a number of programs this year including; a half-day refresher course in the theory and practice of corporate finance for the members of a large professional association and held in each of four capital cities, a three-day in-house program on risk management tailored to the specifications of a large financial institution and a three-day program on treasury risk management held at the University of Melbourne for treasury professionals who flew in from around the country.

Dr Coleman, who was formerly Regional Treasurer of ExxonMobil Australia, highlights how valuable this avenue of exchange of information is for both parties saying "The materials combine a refresher in corporate finance with practical examples and discussion of recent developments in finance theory". Dr Pinder goes on to point out that where there may be gaps in the practical application of the concepts that department members are so familiar with, the department calls upon its own downtown contacts to contribute to the program and says "As an academic, one of the more enjoyable aspects in participating in these programs is that it affords us with the opportunity to work together with those at the coal-face of the financial markets, which in turn provides very valuable insight that feeds back into the classroom".

Anyone with an enquiry about the design and/or delivery of such courses can contact Dr Coleman at les.coleman@unimelb.edu.au tel. 8344 3696 or Dr Pinder at spinder@unimelb.edu.au tel. 8344 5101.



The Financial Management Association of Australia (FMAA) would like to extend an invitation to past Melbourne committee and sub-committee members to join the FMAA Alumni.

If you are a past committee or sub-committee member, could you please contact Vivien Chan at vivien.chan@fmaa.com.au or ring on 8344 4981. For more information, please visit our website at www.fmaa.com.au/melbourne.

We look forward to hearing from you.



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