



THE MELBOURNE CENTRE FOR FINANCIAL STUDIES – SHINING A LIGHT IN FINANCIAL DARKNESS

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The Melbourne Centre for Financial Studies has had a most productive 2008. Following the establishment of the MCFS in 2005, the consortium of three Melbourne universities (RMIT, Monash, and The University of Melbourne) unanimously decided recently to extend the MCFS for another three years following the conclusion of Victorian government funding. We are very pleased by the ongoing support

of AAMI in achieving our goals, and above all, we are indebted to the MCFS director, our own Professor Kevin Davis, and his team (David Michell and John Fowler) for their tremendous energy in developing, organizing and hosting ever more exciting and highly topical activities creating greater collaboration and linkages between academe and the financial services industry.

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The 2008 MCFS International Distinguished Lecture: (from left to right: Joe Isaac; John Fraser, UBS Asset Management and International Distinguished Lecturer; Fred Grimwade, Fawknor Capital Management; Ross Williams; and Kevin Davis, Melbourne Centre for Financial Studies).

DEPARTMENT UPDATE FOR 2008 – SEMESTER 2



Head of Department
Professor Paul Kofman

With dark clouds gathering on the finance horizon, the immediate future career prospects for our current and prospective students may indeed look a little grim. That has certainly not prevented an even larger cohort of our current undergraduate students seeking a major in finance. With the formal introduction of majors in our Bachelor of Commerce, it is now even more transparent how popular our discipline has become. The lure of a highly sought-after Honours place is undeniably playing its role, yet almost 800 finance majors per year clearly indicate a broad interest in our exciting curriculum.

While still implementing and fine-tuning our curriculum to the undergraduate demands from the Melbourne Model, the second stage of preparing for the postgraduate curriculum has now begun in earnest. While traditionally strong in our graduate finance specialisation programs (the Master of Applied Finance, and the Master of Financial Management), from 2009 we will now also offer a non-cognate postgraduate degree: The Master of Management (Finance). Due to the potentially confusing similarity in degree names, the Department decided to rename its popular Master of Financial Management to the equally prestigious Master of Finance (MFin). We trust and know that the relabeled degree will remain as popular as ever. We are currently investigating ways to allow even more subject flexibility in the second year of the MFin program.

To cater for our expanding curriculum, we have kept the pace in recruiting. In July/August, we welcomed a further three new colleagues, Dr Bryan Lim (PhD UC Santa Barbara) as a Lecturer specialising in asset pricing bubbles

and short-sales constraints, Dr Patrick Verwijmeren (PhD Erasmus University Rotterdam) as a Lecturer specialising in corporate finance and capital structure decisions, and Dr Liang Zhang (PhD Hawaii University) as a Lecturer specialising in empirical asset pricing. We were fortunate to have a number of prominent visitors, including Michael Schill (Darden University), and Stephen Brown (NYU Stern) visit our shores. Unfortunately, in late December we also had to farewell Associate Professor Kim Sawyer who decided to take early retirement. The Department of Finance is very much indebted to Kim for his many contributions to teaching and research and we will sorely miss his enthusiasm and rigour in foundational finance research instilled in his colleagues and many students.

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 do keep us informed of your whereabouts! Our very best wishes for 2009!

HONOURS TRIPLE DEAD HEAT IN 2008



Ian O'Connor

Although winning stocks were hard to pick in 2008, there were three winners picked for first place in finance honours this year. In a year of records, Yen Min Goh, research essay entitled,

The Accuracy and robustness of Real Estate Price Index Methods, Wenqing Hu, research essay entitled, *The Impact of Merger Activity on Executive Compensation of Acquiring Firms* and Hieronymus Stephanus research essay entitled, *The Impact of Cross Delisting on Security Prices and the cost of Equity* all tied for the first place amongst a very competitive field. The large proportion of first class honours reflects the strength of the competition this year. Each winner will be awarded the Finance Honours medal for 2008 and have their name added to the medal winners board.

The award presentation is part of the Department's annual Finance Honours Retreat to be held in February 2009. No doubt the trio will be beavering away the summer months converting their research into publication submissions. Well done

Applications for admission in 2009 were strong, with next year's cohort required to have a major in Finance as part of the eligibility criteria.

Looking ahead, the Honours Alumni dinner should be back in 2009, with a tentative date of late July or early August. Keep you eye out for further details.

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As a key part of the MCFS brief is to engage in knowledge transfer between our finance academic and finance practitioner stakeholders, the MCFS seeks to post as much information as possible on their website:

www.melbournecentre.com.au/, which includes the latest information on events past, present and future. The keen browser will also discover a series of discussion and working papers for MCFS funded research as well as current issues papers.

Recent industry-focused events included the annual *International Distinguished Lecture* featuring John Fraser, Global Head of UBS Asset Management, who enlightened the audience with a clear dissection of the events surrounding the credit crisis and the regulatory implications. Other well-attended events in this category included the *Islamic Financial Services*

Symposium, the *Counterparty and Operational Risks Seminar*; the *Janus Capital Funds Forum* with David Schofield of Enhanced Investment Technologies; the *Alternative Investments Industry Update Forum* with CAIA; a *Securities Lending in Australia Seminar*; the MCFS-Finsia Consumer Finance symposium; and most recently, the MCFS Special event – the *Future Fund Industry Briefing*. The latter event was sold out almost immediately after announcement!

The more academically-focused 13th Finsia-MCFS Banking and Finance Conference – themed: *Recent Developments in Australian Debt Markets* – took place in September at The University of Melbourne. Conference dinner speaker was Michael Ullmer, Deputy Group CEO of NAB who instilled some confidence in Australia's banking sector. Papers from

this conference can still be found on the MCFS website.

Upcoming events in 2009 include the MCFS-Finsia Executive Luncheon with Satyajit Das; the *Voodoo banking - The Outlook for Banks* conference – voodoo banking describes the performance enhancements that banks have used to boost returns in response to the commoditisation of financial products and increased competition; and *The Future of Mortgage Broking and Origination, Charitable Fund Investing, and Innovation Financing* seminar. Further details of these events can be found on the MCFS web site.

The MCFS director, Professor Kevin Davis, will be taking a well-deserved sabbatical for the first half of 2009. The MCFS is proud to announce that Professor Deborah Ralston will be Acting Director.

PROFESSIONAL PROGRAMS UPDATE



MAF and MFM – our dynamic duo
Sean Pinder and John Handley

As we commence a new academic year, it is timely to bring to your attention to two important developments in our suite of professional programs – one is a new course offering and the other is a course renaming. Firstly, we are very excited about our new course offering - the Master of Management (Finance). The MMgt (Fin) represents the ideal preparation if you seek a career in the finance profession. It initially provides foundation training in business, management and finance

followed by a deeper consideration of many facets of the finance discipline. Designed for recent graduates from any discipline, and those early in their business careers, it does not require prior business training or preparation. The program consists of 16 semester-length subjects (four foundation, four core, four constrained elective and four elective) taken over two years full-time or four years part-time.

Secondly, the Master of Financial Management has been renamed as the Master of Finance. The MFin represents a practical and career-oriented program that provides an ideal entry into the finance industry, with broader and more comprehensive training than is feasible in an undergraduate degree. The program is designed to give you a solid understanding of financial management principles and their application to corporate financial policy, valuable insights into Australian and international financial markets,

knowledge of derivative assets and the operation of the markets in these assets, as well as a strong understanding of specialised aspects of the financial industry. The program similarly consists of 16 semester-length subjects (eleven core and five elective) taken over two years full-time or four years part-time. Whereas the MMgt (Fin) is a “career entry” program the MFin continues to be a “career development program.” Accordingly, an undergraduate degree, or equivalent, in a relevant discipline with some studies in Finance is required for entry into the latter. Further details about both program is available from the department's website.

Finally, Les Coleman will take over from John Handley as Program Director of the Master of Applied Finance program. John is not completely off the hook though ... as he will take over from Greg Schwann as Coordinator of the PhD program. So, welcome Les !!

RESEARCH PROGRAMS UPDATE



Greg Schwann
PhD Coordinator

I am sure that our research student alumni have watched closely the decline in world markets over the past six months. Some have watched in dismay because their jobs (present and future) are tied to the performance of these markets. Others have watched in shock as their pensions or their parent's pensions have been adversely affected. It is hard to avoid a sense that we are living the curse: *May you live in interesting times.*

However, as research students, I am sure you are asking questions such as: How did a few mortgage foreclosures in the US mid-west lead to world financial collapse? How do we get out of the liquidity death-spiral that has captured our markets? How do we limit the possibility of this occurring again? Never before have those lectures on financial markets and regulation been so important!

While you ponder and research the questions above, let me draw your attention to two sayings that provide light in the darkness. The first is: "Luck favors the well-prepared." Your research training at the University of Melbourne has prepared you well. Our finance programs enable students to

operate in a dynamic and changing financial world by focusing on the questions as much as on the answers. In doing so, you have the skill to answer new questions and not just to supply rote answers to well known questions. Therefore, be prepared to be lucky. The second saying comes from China: "时势造英雄" – "Heroes(leaders) are made over turbulent times." Being well-prepared (or lucky) is not enough – you must act on your opportunities and use your knowledge for the benefit of your companies and your countries. *Carpe diem.*

This semester, two students have shown that hard work does pay off. I congratulate both students upon the completion and final submission of their PhD thesis:

Michael Hui Li: *Investor Sentiment, Institutional Ownership, Executive Compensation, and Corporate Investment.*

Mahmoud Agha: *Investment, Dividends, Firm Performance and Managerial Incentives: Another Insight into the Value of Corporate Governance.*

On that note, let me announce some changes in the department of finance. I am stepping down as MCom Coordinator and PhD Coordinator effective 31 December. Dr. Harald Scheule is taking over as MCom Coordinator. Assoc. Prof. John Handley is taking over as PhD Coordinator. Both programs are stronger than ever and both Harald and John are strong leaders for the future. Expect good news from them.

ARE YOUR DETAILS UP TO DATE?

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