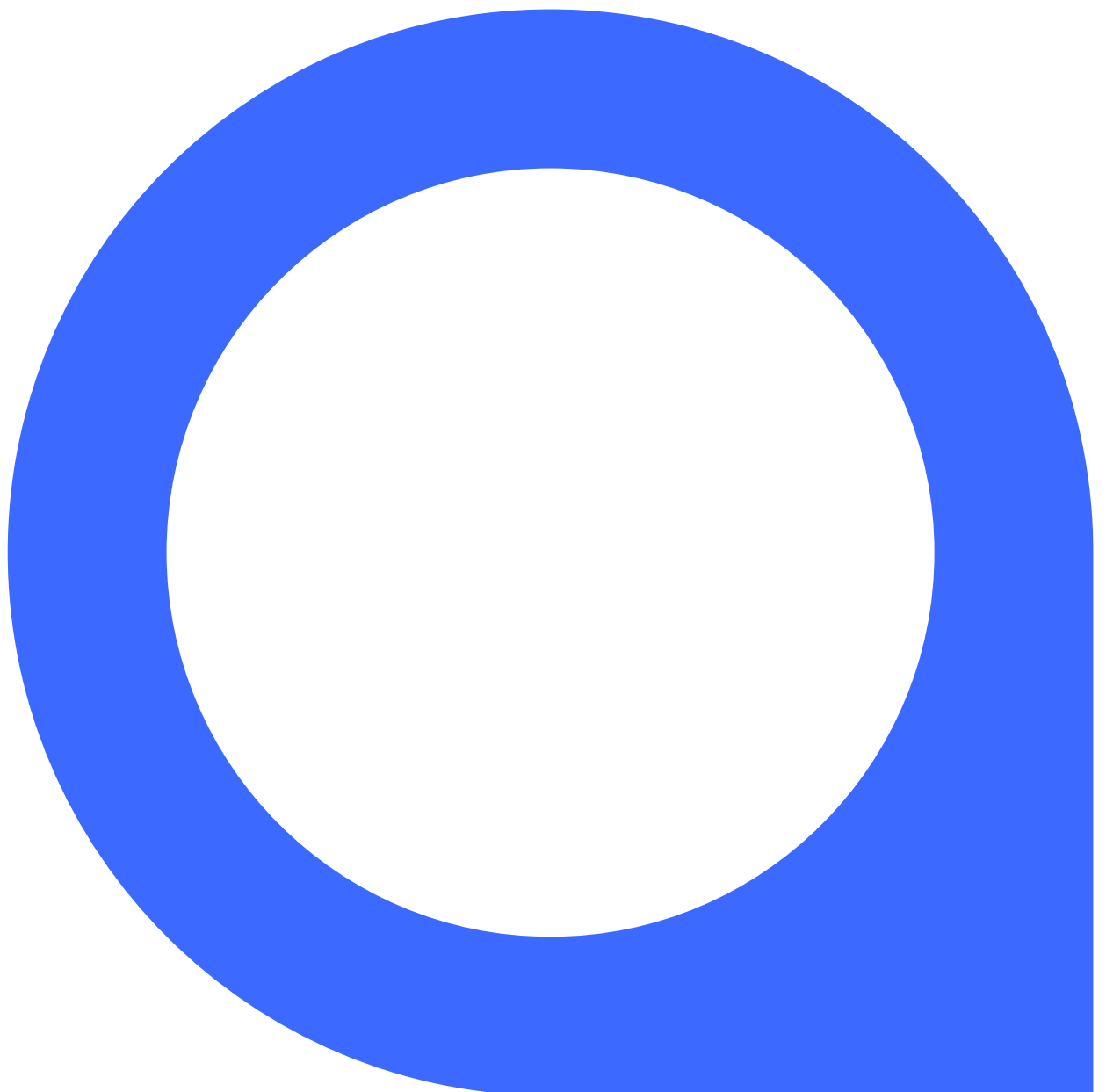


Asset Liability Management

**Assignment Semester 2 2025 –
Feedback for students**





Feedback materials

- Assignment purpose
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- Example of assignment

Assignment purpose

The main purpose of the assignment from your perspective is to help you to develop your understanding of a major asset class and your skills in analysis and writing.

The specific skills that are being developed and assessed in the assignment are the ability to:

- research and explain subject material in an unfamiliar context;
- communicate relevant points in language appropriate to the audience, in a logical and coherent manner; and
- meet business standards for presentation of written materials.

These skills will also help you pass the end-of-semester assessment and perform well in the workplace.

This assignment provides an opportunity for you to think deeply, spend time preparing a detailed answer and self-reflect on your **writing** skills. Whilst there is ample time to write your assignment answers, you should ask yourself if you need to spend more time improving your writing skills to help you pass time-limited examinations.

There may not be a single correct answer to the question(s) posed. Ensure you have adequately demonstrated your steps, assumptions, reasoning and checks to the marker(s) so that your answer can be considered in context.



Overview of assignment content

The assignment required candidates to prepare a business report to the board of a defined benefit retirement fund, analysing the US Treasury bond markets and recommending an investment strategy for bond purchase timing. The assignment comprised 5 questions as summarised in Table 1 Assignment questions. Marks were also awarded for Written Communication.

Table 1 Assignment questions

	Marks	Summary
Written Communication	10%	Professional presentation, grammar, structure, and technical concept explanation appropriate for the board audience.
1a	10%	Explain the purpose and functioning of primary and secondary markets for US Treasury bonds and their role in yield determination across maturities.
1b	10%	Explain market participant categories, historical changes over twenty years, and predict the top three participant categories for the next five years.
1c	15%	Explain four factors most likely to affect Treasury bond returns and risks across various maturities over the next five years.
2	15%	Analyse the expected return components for 10-year and 30-year Treasury bonds over the next five years.
3	10%	Calculate the current market price of a 10-year Treasury bond and determine the price impact of a 0.50% yield increase.
4	20%	Propose a recommendation on bond purchase timing considering interest rate risk, reinvestment risk, liability valuation, and market assumptions.
5	10%	Prepare a 2-minute video presentation that synthesizes the strategic recommendation from Question 4.

Results summary

Overall, students performed very well on the assignment with a pass rate of 92.0% and an average score of 73.8. A summary of the results is presented in Table 2 Overall results.



Table 2 Overall results

Grade	Number of students	Percentage of students
Significantly above pass	35	31.0%
Above pass	40	35.4%
Pass	28	24.8%
Below pass	9	8.0%
Significantly below pass	0	0.0%
No attempt	1	0.9%
Total	113	100%

Overall feedback

We expect most students to pass the assignment because of their prior academic history, guidance provided (including via tutorials and the discussion boards in the Learning Management System) and the time allowed to complete the assignment in a non-examination environment. We also expect that students will closely follow the directions we provide in the rubric.

The average candidate (i.e. achieving a pass grade overall) was able to mostly demonstrate the following to the markers:

- Question 1a (Market operations): Provide a basic explanation of primary and secondary market operations, covering the main elements, clearly showing how primary and secondary markets differ from each other, and demonstrating how these markets affect bond yields at various maturities.
- Question 1b (Market participants): Explain the appropriate participant categories with basic connections between participant characteristics and market behaviour over some of the last 20 years and use some analysis to support future predictions with limited but adequate justification.
- Question 1c (Market factors): Identify and explain four factors affecting US Treasury bond returns, demonstrating directional impacts with basic reasoning for the relationships, covering at least two maturities ranging from 2 to 30 years, and showing some understanding of yield curve impacts.



- Question 2 (Return components): Analyse the main components of expected returns with directional impacts and basic reasoning for both 10-year and 30-year bonds, demonstrate basic differentiation between the two maturities, and provide limited forward-looking analysis for the next 5 years.
- Question 3 (Bond calculations): Demonstrate correct methodology for bond pricing calculations with an understanding of semi-annual compounding concepts, show basic competency in calculating both current price and price changes with yield movements, and demonstrate basic understanding of the inverse yield-price relationship, even if some computational errors occur.
- Question 4 (Strategy analysis): Make a clear recommendation between the two investment strategies with adequate supporting reasoning, demonstrate basic understanding of key concepts such as interest rate risk and reinvestment risk, and address at least two of the four specified considerations (bond pricing/yield relationship, liability valuation, risk trade-offs, and market assumptions) competently.
- Question 5 (Video presentation): Present a clear recommendation within the 2-minute time limit using language generally appropriate for a board audience, and provide basic supporting reasoning that shows some understanding of the key considerations from the analysis.
- Overall written communication: Maintain mostly correct grammar with only occasional minor errors, use generally professional language appropriate for a board report, explain technical concepts adequately, and present work with a clear, easy-to-follow structure.

Stronger candidates achieving an above pass grade or better were able to provide better and more complete answers to most of the questions, in terms as set out in the Rubric.

Weaker candidates were unable to reach the standard set out above in enough of the questions to achieve an overall pass grade. Please see the commentary below on the shortcomings observed on particular questions.

General tips

The following feedback from the assignment has been provided to help you to prepare for the exam.



Fully answer questions

Make sure you answer all parts of the questions. It is important to go back to the questions after you have started writing to ensure you are answering the question asked. Similarly, apply the information provided in the questions.

After you have drafted your answer, it is always a good idea to re-read the question and physically tick off that you have answered all parts of it. You should also make sure you have addressed all areas described in the marking rubric.

Review your work

Given that this assignment is worth 20% of your final grade and you did not have the time pressure of exams, you were expected to spend some time reviewing your work and making sure your assignment was easy to read. A lot of issues around clarity of explanations could have been avoided by proofreading and spending time “getting the easy marks” for report writing.

Use structure

Remember that each paragraph should cover a single topic. Each paragraph should have a clear beginning, middle and end which relate to this single topic.

Write concisely and clearly

Keep your answers concise and use dot points where appropriate.

Results and feedback by question

The table below provides the results by question.

Each part of the assignment was marked out of 5, in line with the rubric grading. For example, a student who achieved a “pass” standard for Question 1c was awarded a 3 out of 5 and this contributed 15% towards their overall grade.



Table 3 Results by question

Rubric Grade by Question	Weight	Mean	Median	Min	Max	Std Dev
Written communication	10%	4.0	4.0	2.0	5.0	0.6
1a Market operation	10%	3.7	4.0	2.0	5.0	0.7
1b Market participants	10%	3.5	3.0	2.0	5.0	0.8
1c Market factors	15%	3.7	4.0	1.0	5.0	0.8
2 Return components	15%	3.5	3.0	2.0	5.0	0.7
3 Bond calculations	10%	4.1	4.0	2.0	5.0	0.8
4 Strategy analysis	20%	3.6	4.0	2.0	5.0	0.8
5 Video presentation	10%	4.0	4.0	0.0	5.0	0.9

Observations by question

- **Written communication** (10%) Candidates performed well in this component, achieving a mean score of 4 on the 5-point rubric scale. Most responses demonstrated professional writing standards with clear structure using headings and subheadings, minimal grammar errors, and appropriate language for board audiences. Candidates who scored lower typically struggled with unexplained technical jargon such as 'stop-out yield' and 'sealed-bid', exceeded the word limit, or used inappropriate formatting. The strongest responses used tables and charts effectively to support analysis and maintained a consistently professional presentation throughout. Some candidates were penalised for unprofessional presentation, including pasted screenshots rather than demonstrating understanding in their written communication.



- **Question 1a** (Market operation - 10%): The average grade was 3.7 on the 5-point rubric scale, with the median score a 4, indicating solid foundational understanding. Most candidates successfully explained primary and secondary market operations with relevant examples and clearly differentiated between market functions. Answers that scored 3 marks or below typically provided insufficient explanation of yield determination across different maturities or failed to explain specific auction processes and dealer roles.
- **Question 1b** (Market participants - 10%): This question proved moderately challenging with a median score of 3 and some variation across students. Most candidates covered appropriate participant categories with evidence of research. However, many of the candidates struggled with forward-looking analysis, providing limited justification for future predictions. Responses that scored 3 marks or below typically made inadequate connections between participant characteristics and historical market behaviour or failed to address the twenty-year historical perspective required by the rubric. Many strong responses used charts or tables effectively and provided specific rather than generic justifications for future predictions.
- **Question 1c** (Market factors - 15%): Most candidates identified four relevant factors and explained directional impacts across multiple maturities. Candidates who received lower scores typically relied on generic factors such as inflation and supply/demand without a specific Treasury market context or failed to address yield curve shape impacts alongside level changes. Only a handful of candidates incorporated timing considerations, distinguishing between immediate (1-2 years) versus longer-term (3-5 years) effects, which was a key differentiator for top grades.
- **Question 2** (Return components - 15%): The average grade was 3.5 on the 5-point rubric scale. Most candidates identified the main return components and provided basic differentiation between 10-year and 30-year bonds. However, many candidates missed the 'analyse' command verb, producing descriptive rather than analytical responses. Forward-looking analysis remained consistently weak across most responses, with candidates providing limited justification for five-year outlook predictions. Some candidates also demonstrated incomplete coverage of return components, missing fundamental elements like risk-free rates.
- **Question 3** (Bond calculations - 10%): This was the strongest performing technical component, achieving a mean score of 4.1 on the 5-point rubric scale. Most candidates demonstrated competent calculations with clear working and achieved reasonable final answers. The most significant weakness was widespread failure to differentiate between clean and dirty prices, which affected many otherwise competent responses. Some candidates also experienced confusion about settlement dates and timing adjustments, particularly the three-month gap between issue date and valuation date.



- **Question 4** (Strategy analysis - 20%): This complex synthesis question achieved a mean score of 3.6 on the 5-point rubric scale, representing one of the more challenging components of the assignment. Whilst most candidates provided clear recommendations linked to their calculations from Question 3, the comprehensive application of asset-liability matching principles proved difficult. Many candidates:
 - addressed only two or three of the four specified considerations well, with weakness in explaining the trade-offs between interest rate risk and reinvestment risk; or
 - failed to recognise or acknowledge the discrepancy between the actuarial team's use of 10-year Treasury yield and the fund's stated policy of using a weighted average of 10-year and 30-year yields for liability valuation.
- **Question 5** (Video presentation - 10%): Candidates achieved a mean score of 4 on the 5-point rubric scale in this component. Most successfully delivered professional presentations within the two-minute time constraint whilst maintaining consistency with their written analysis. Some candidates exceeded the time limit or failed to submit videos entirely. Notably, several markers observed that some candidates explained their strategies more effectively in video format than in their written submissions, suggesting the video component successfully tested different communication skills.

Areas for improvement

Some candidates need to learn and practice how to:

- Recognise command verbs such as 'analyse' and respond with analytical rather than descriptive content;
- Develop forward-looking analysis with robust justification rather than generic predictions;
- Apply asset-liability matching principles comprehensively to strategic decision-making; and
- Explain technical concepts clearly without relying on unexplained jargon.

Key learning points for candidates

- Understand market conventions such as clean versus dirty bond pricing, which distinguished higher-performing responses from basic competency.
- Address all specified considerations in strategy questions rather than focusing on only the most familiar concepts.
- Provide specific, contextualised analysis for Treasury markets rather than generic factor discussions that could apply to any bond market.



- Maintain professional presentation standards by avoiding screenshots from AI tools and ensuring proper citation of research sources.
- Develop comprehensive scenario analysis skills, particularly for ALM applications where multiple market outcomes must be considered.
- Practice time management for video presentations to deliver clear, focused messages within the two-minute constraint.

Will we get feedback on our assessment?

Our approach to feedback is for students to receive general feedback, a sample assignment marked as 'significantly above pass level' and the marking guide for the exam.

You should review the feedback that is provided as well as the sample assignment and exam marking guide. For the assignment, you should use the general feedback and marking rubric to grade the sample assignment and your submission. This will help you to compare the assignments and identify areas where your submission could have been improved. For the exam, you should use the general feedback and the marking guide to identify areas where you could improve your future exam performance.

Our belief is that this active approach to studying will provide you with a deeper understanding of where you need to improve. This is the best way for you to learn about your areas of strength and weakness in your understanding. We do not provide students with individual feedback on their assessments.

At the end of the semester, you will receive:

- a letter to indicate whether you have passed or failed the subject;
- if you have failed the subject, a breakdown of your grade for each assessment;
- general feedback to all students about assignment and exam performance;
- a sample assignment that was graded as 'significantly above pass level'; and
- the exam marking guide.

EXAMPLE OF ASSIGNMENT

A model answer to the assignment which was one of the assignments achieving a significantly above pass grade will be posted to LMS.