



COURSE TECHNICAL DATA

Course Information	
ECTS Credits	3
Degree	Master in Finance / Master Universitario en Finanzas por la Universidad Pontificia de Comillas
Professor	Javier López Bernardo, Ph.D., CFA
Name	Asset Management and Behavioural Finance
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GOALS AND CONTENTS

OBJECTIVES

General Competencies

CG1: Project-based learning: Ability to develop and execute in its different phases collective financial projects based on real situations, proposing real solutions and making efficient all interactions with the team, clients and any other participant.

-RA1: Ability to engage in the development of experimental collective projects based on the real world, managing and aligning client needs with available resources, optimally distributing the work, communicating and projecting its different phases, providing real solutions and making efficient all interactions with the team, clients and other stakeholders.

CG2: Critical Thinking: Use critical thinking for decision-making and problem-solving in financial management processes.

-RA1: Interpret, analyze, synthesize, and evaluate ideas critically.

CG6 Global and local orientation capacity: Analyze current financial problems, in local and global environments, taking into consideration complex economic aspects, cultural, social and ethical factors.

-RA1: Ability to analyze current problems in the local and global environment, taking into consideration complex economic aspects, cultural, social and ethical factors.

CG10: Technical capacity: Capacity for analysis, synthesis and projection applied to financial situations, problems and models.

-RA1: Be able to deal with the analytical study of cases and scenarios, as well as to carry out synthesis and synthesis of information and data.

Specific Competencies

CE13: Know and correctly apply the modern principles of advanced portfolio construction and management theory.

-RA1: Be able to develop and program valuation models -fundamental and technical- and optimization models for fixed and variable income assets, multi-asset portfolios and financial institutions, based on diverse market data (data vendors) and inserting in the analysis (data vendors), inserting in the analysis aspects of contractual finance.

-RA2: Portfolio management in hedge funds, their operation, structure and the mechanics of management and performance fees. Differentiate between absolute and relative return management and its implications. Performance using various metrics, such as Sharpe and Information ratio, Omega, etc. Directional, arbitrage or global macro strategies. How the



alternative management industry works and will delve into aspects such as smart beta or factor investing. Analysis on the main real assets.

COPT3: Know what the residual income model is and be able to apply it when analysing individual stocks or specific investment projects.

-RA1: Know and apply advanced asset management techniques in conjunction with behavioral finance to generate alternative asset management strategies for both traditional and alternative asset management using spot and/or derivative assets in the fixed income, equity, foreign exchange, private debt, real estate or commodities markets.

-RA2: Know and know how to structure and manage alternative investment vehicles for corporate financing, as well as how to measure and quantify the real impact that such financing activities have on the company.

-RA3: Know and know how to apply the new concepts, methodological techniques and paradigms that directly and indirectly impact the modern asset management industry.

CONTENTS

The basic model of traditional finance (the Capital Asset Pricing Model, or CAPM) assumes that stock returns are determined by the volatility of stock prices: stocks with a higher beta should, in equilibrium, offer a higher return. The crucial implicit assumption of this model is that the historical volatility of a stock's price is the best measure of the risk inherent in that company.

Under a different framework, however, the best way to understand the risk of a particular stock is not through its volatility, but through knowledge of the specifics of the company's business. In particular, residual income valuation models organically link the operational reality of the company to its accounting and, ultimately, the valuation of the business. Return on net operating assets is the measure that combines these three aspects, while at the same time providing information on the level of risk in the company's activities and its origin (operational or financial).

Finally, traditional finance also assumes that markets are efficient and that their participants are rational agents who at all times maximise the expected return on their investments for a given level of risk. Behavioural finance, however, shows that people have behavioural biases that are predictable and contrary to the behaviour of a rational agent. Taking these biases into account when selecting investments or constructing a portfolio leads to entirely new recommendations that are more in line with the realities of today's markets.

TEACHING METHODOLOGY

General methodological aspects of the course

Masterclasses.

Individual study of the slides presented in class and additional materials (books, academic articles and company presentations and annual reports).

Students working together in pairs or small groups on a task, case or scenario that requires the members to share information and resources in order to achieve a common goal. Based on the case method, studied by each student and discussed by each group before the individual interventions in each general session.

The case method encourages inductive learning. Through the analysis of concrete examples, the various analytical tools are constructed and general rules of application to all types of companies and sectors are induced. For this reason, prior study of the cases and active participation in the debates of the general sessions are essential.



Presentations must be evaluated and critiqued by the rest of the class or by the lecturer in order to go deeper into the subject.

EVALUATION AND GRADING CRITERIA

Evaluation Activities	(%)
Final exam	40%
Case studies (groups)	40%
Participation (mini case studies, attendance)	20%

Grading

The evaluation criteria of the course are governed by the following rules:

1. All students must attend 100% of the days scheduled for this course. All absences must be justified. Failure to justify an absence will result in a penalty depending on the number of days of unexcused absence.
2. The final mark will be the sum of the activities, assessment criteria and weightings described in the Evaluation and Grading Criteria section. All elements of the course assessment must be passed.
3. Individual and group work must be handed in on time and in the manner specified by the subject teacher.
4. A final mark below 5 means that an exceptional exam must be taken. The final mark in this examination must not be higher than the median of the marks obtained in the ordinary examination.

Evaluation criteria for second enrolment applications

Students enrolled in the subject for the second year must complete the individual and group assignments set by the subject teacher. The same assessment criteria will be used as those set out in the section on Assessment and Grading Criteria.

In cases not covered in this teaching guide, the regulations of the Advantere School of Management and the General Regulations of Comillas will be applied.

BIBLIOGRAPHY AND RESOURCES

Basic Bibliography

Books:

- Baddeley, M. (2019). *Behavioural Economics and Finance* (2nd ed.). Routledge
- Montier, J. (2007). *Behavioural Investing: A Practitioner's Guide to Applying Behavioural Finance* (1st ed.). Wiley & Sons.



- Penman, S. (2011). *Accounting for Value*. Columbia University Press.
- Penman, S. (2013). *Financial Statement Analysis and Security Valuation* (5th Intern). McGraw-Hill Education.
- Thaler, R. (2015). *Misbehaving. The Making of Behavioral Economics*. W. W. Norton & Company.

Papers:

- Barberis, N. (2013). "Thirty Years of Prospect Theory in Economics: A Review and Assessment." *Journal of Economic Perspectives*, 27(1): 173-96.
- Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision Under Risk. *Econometrica*, 47(2), 263–292.
- Shefrin, H. & Statman, M. (1985) The Disposition to Sell Winners Too Early and Ride Losers Too Long: Theory and Evidence, *The Journal of Finance*, 40(3), 777-790.
- Thaler, R. (1985). Mental Accounting and Consumer Choice. *Marketing Science*, 4(3), 199–214.
- Thaler, R. (1999). Mental Accounting Matters. *Journal of Behavioral Decision Making*, 12, 183–206.
- Tversky, A., & Kahneman, D. (1974). *Judgment Under Uncertainty: Heuristics and Biases*. *Science*, 185(4157), 1124–1131.
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