

behavioral finance

Certificate Program of Advanced Studies 2006
Swiss Banking Institute, University of Zurich

weiterbildung



Universität Zürich

program overview

Topic	<p>Behavioral Finance is a new flourishing area of finance that analyses the psychology of investing. This course explains in which way people deviate from the paradigm of rational decision making. The new behavioral models that the course provides have at least the following three important applications:</p> <ul style="list-style-type: none">• Private Banking The behavioral models in investing improve financial decisions by making people aware of the dissonance between the decisions they are tempted to take and the decisions they should take.• Product Development The behavioral models can also be used to design structured products that are best suited to serve the needs of private investors.• Asset Management The behavioral models give better explanations of asset prices observed in a market by taking into account the systematic deviations from the rational benchmark. This knowledge is essential to generate excess returns with mutual funds or hedge funds.
Target Audience	<p>The program is designed for client advisors and financial planners from banks, pension funds and family offices. The candidates are required to have a Masters degree from a university or a degree from a school of applied sciences with at least two years experience. Additionally, candidates are expected to have good knowledge in German and working level in English since most lectures are given in German and the course material is written in English.</p>
Number of participants	<p>The number of participants is limited to 25 allowing close interaction between the participants and the speaker.</p>
Aim	<p>The program aims to enable its participants to strengthen their advisory competence by</p> <ul style="list-style-type: none">• extending their knowledge with current insights from the Behavioral Finance research;• widening their proficiency in assessing client's preferences;• developing expertise on differentiating between rational and irrational decisions;• promoting the integration of Behavioral Finance insights along the wealth management process.
Learning Methodology	<p>The subjects will be approached from both theoretical and practical angles. The knowledge transfer follows through:</p> <ul style="list-style-type: none">• lectures and exercises• group discussions of case studies• self-study

Course Instructors	The theoretical concepts will be taught by selected university lecturers connected with the practical work through their activities as consultants. The transfer of theory to practice will be demonstrated by expert practitioners.
Governing Body	Prof. Dr. Thorsten Hens, University of Zurich, Swiss Banking Institute
Program Director	Kremena Damianova, University of Zurich, Swiss Banking Institute, Plattenstrasse 32, 8032 Zurich, Phone: +41 44 634 37 98, damianova@iew.unizh.ch
Administration	Evi Ruthenbeck, University of Zurich, Fachstelle für Weiterbildung, Hirschengraben 84, 8001 Zurich, Phone: +41 44 634 29 98, e.ruthenbeck@access.unizh.ch
Certification	The participant's successful completion of the program is confirmed by a Certificate of Advanced Studies in Behavioral Finance of the University of Zurich with 10 ECTS points.
Exams	To acquire a certification, participants have to pass multiple-choice tests after each module and before the next module starts, and write a thesis to deepen the understanding of one of the topics which the students have to present at the end of the program. The final grade is a weighted average of the thesis and the average grade of the module tests. Participants failing to acquire all points necessary for receiving a certificate have to repeat the test(s) they did not pass within one month after receiving the final grade.
Dates	The program will last a total of 12 days. The course is structured in 4 blocks of 20 hours each taking place on Thursdays, Fridays and Saturdays from September to December 2006. For more details please contact the program director.
Location	Zentrum für Weiterbildung of the University of Zurich, Schaffhauserstrasse 228, 8050 Zurich (www.zwb.unizh.ch)
Fees	The course fee for each participant amounts to CHF 9'800.- covering tuition, course materials, meals and refreshments. Travel expenses and/or accommodation have to be covered individually. Institutions may receive a group discount on the fees for each participant. Please contact the program director for more details.
Registration	To apply for the program please either <ul style="list-style-type: none"> • fill the application form and return it to the program director • apply online The deadline for applications is June 30, 2006. <p>The program management will decide upon the definite admission using the following criteria:</p> <ul style="list-style-type: none"> • qualification of the applicant based on CV, Masters degree and work experience, • good knowledge of German for active participation during the course and a certain level of English to benefit from the course material. The application can be canceled within 10 days after receiving the definite admission at no charge. For later cancellations there will be no refund.
Homepage	www.weiterbildung.unizh.ch <p>All information is subject to final approval of the extended executive board of the university.</p>

content

1. Decision Theory

Participants learn

- how to distinguish rational from irrational decisions,
- how to use descriptive models to better understand the view of the client.

Topics:

- preferences
- rational choice
- expected utility
- prospect theory

2. Modern Capital Market Theory

Participants learn

- what does traditional finance provide for wealth management,
- what are the underlying assumptions.

Topics:

- portfolio theory
- Capital Asset Pricing Model (CAPM)
- efficient market hypothesis
- active and passive asset management

3. Empirical Finance

Participants learn

- how to test whether markets are efficient and whether traditional models explain the price movements on financial markets,
- how to distinguish anomalies from statistical illusion.

Topics:

- regression analysis
- avoiding statistical illusion

4. Behavioral Biases and Individuals' Decisions

Participants learn

- which psychological biases affect the decisions of the client and the advisors,
- under which conditions psychological biases lead to irrational decisions which have to be corrected.

Topics:

- decision biases
- rational and irrational decisions
- decision behavior of professional and individual investors

5. Behavioral Biases on Financial Markets

Participants learn

- which behavioral biases affect the asset prices,
- why there are over- and underreactions on the financial markets.

Topics:

- behavioral asset pricing models
- over- and underreaction

6. Product Design

Participants learn

- what is an optimal payoff from the client's perspective,
- how to design products matching client's preferences.

Topics:

- case study

7. Structured Wealth Management Process

Participants learn

- what is the basic structure of a typical wealth management process,
- what is the information flow in each step of the process,
- what are the advantages and disadvantages of a structured wealth management process.

Topics:

- needs analysis
- personal asset and liability management
- investor's profile
- optimal asset allocation
- reporting and documentation

8. Implementing Behavioral Finance in Wealth Management

Participants learn

- which psychological effects have to be considered when advising clients,
- how to integrate the insights in the current advisory process.

Topics:

- assessing client's preferences
- developing tailored asset allocations
- case studies

9. Tactical and Strategic Asset Allocation

Participants learn

- how to design an optimal asset allocation for clients with different preferences under different market conditions,
- what is the role of the client's investment horizon,
- which "rules of thumb" are appropriate for which clients.

Topics:

- two-period optimal asset allocation
- inter-temporal optimal asset allocation

10. Life-cycle Planning

Participants learn

- what is optimal asset allocation for clients with different preferences under the consideration of external income and consumption,
- what is the effect of psychological biases,
- which decisions should be corrected because the client would regret them.

Topics:

- consumption smoothing
- hyperbolic discounting
- optimal asset allocation over the life-cycle

11. Behavioral Asset Management

Participants learn

- how psychological effects are exploited on the financial markets,
- which behavioral investment strategies are successful.

Topics:

- active asset management
- hedge funds
- behavioral investment strategies

12. Behavioral Corporate Finance

Participants learn

- how firms' decisions are affected by managers' and/or investors' biases,
- what are the consequences for the firms' valuation.

Topics:

- violations of the law of one price
- investment decisions of biased managers and unbiased investors
- financial decisions of unbiased managers and biased investors (IPOs)
- dividend policy of unbiased managers and biased investors
- disclosure policy of unbiased managers and biased investors

instructors

Alfons Cortés	Advisor of the Board of LGT Capital Management AG Areas of specialization: Behavioral Finance, Neuro-Economics
Kremena Damianova	Master in Economics and Finance, University of St. Gallen Areas of specialization: Behavioral Corporate Finance
Prof. Dr. Enrico De Giorgi	Assistant Professor of Finance USI, Lugano Areas of specialization: Behavioral Portfolio Theory, Risk Management
Prof. Dr. Thorsten Hens	Professor of Financial Economics at the University of Zurich Areas of specialization: Behavioral and Evolutionary Finance
Hans Peter Oehri	LGT Capital Management, Liechtenstein Areas of specialization: Behavioral Asset Management
Stefan Rehder	Head Equity Cash & Derivatives Bayern LB, Munich Areas of specialization: Value Investments, Empirical Stock Screening, Behavioral Asset Management
Dr. Mark Schindler	Portfolio Manager in Alternative Investments, Bank Leu, Zurich Areas of specialization: Hedge Funds, Rumors in Financial Markets
Dr. Doris Schönemann	CEO Investor's Dialogue GmbH, Zurich Areas of specialization: Lifecycle Planning including Finance Personality and Human Capital
Prof. Alexander Wagner, Ph.D.	Assistance Professor of Finance and Financial Markets, University of Zurich Areas of specialization: Behavioral Corporate Finance, Organizational Economics, Applied Microeconomics
Prof. Mei Wang, Ph.D.	Assistant Professor of Finance, University of Zurich Areas of specialization: Behavioral Decision Theory, Risk Perception and Risk Communication
Prof. Bill Ziemba, Ph.D.	Alumni Professor of Financial Modeling and Stochastic Optimization, UBC Areas of specialization: Asset and Liability Management, Speculative Investment Markets, Security Market Imperfections

Registration form: Behavioral Finance

Personal data

Last name _____ Date of birth _____
First name _____ Nationality _____

Home adress (correspondence adress)

Street _____ Telephone _____
Postcode/city _____ Fax _____
E-mail _____

Office adress (correspondence adress)

Company _____ Profession _____
Homepage _____ Function _____
Street _____ Years of experience _____
Postcode/city _____ Telephone _____
E-mail _____ Fax _____

Education: Field of study/university/year/title

Further education: School/year/title

Professional occupation: Duration/brief description

Experience in finance and/or banking: Duration/brief description

Application/conditions

To apply for the programm please either fill in the form and send it to the program director or apply online (www.weiterbildung.unizh.ch). The program management will decide upon the definite admission. The application can be cancelled within 10 days after receiving the definite admission at no charge. For later cancellations there will be no refund.

Registration deadline

June 30, 2006.

Adress

Kremena Damianova, University of Zurich, Swiss Banking Institute, Plattenstrasse 32, 8032 Zürich

Confirmation

City, Date _____ Signature _____

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In further education courses organized by the University of Zurich, knowledge is not only imparted but also exchanged. Real-life examples and exercises are used to introduce new technologies, models and practices into the everyday work of course participants. Through constant comparisons with traditional universities and universities of applied sciences throughout Switzerland and abroad and the selection of academically qualified and committed lecturers we are able to offer a high standard of university-level education.

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