Behavioural Portfolio Theory

NCCR FINRISK

Advanced PhD Course at the University of Zurich

FALL TERM 2007

1. Instructor

Enrico De Giorgi, Swiss Finance Institute and University of Lugano (enrico.degiorgi@lu.unisi.ch).

2. Location and dates

University of Zurich, room to be announced
(see http://www.people.lu.unisi.ch/degiorge/BFLugano/teaching.htm#BPT2007).

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<th>Date</th>
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<tr>
<td>Monday, 10.09.2007</td>
<td>14:00-17:00</td>
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<td>Tuesday, 11.09.2007</td>
<td>10:00-12:00/14:00-16:00</td>
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<td>Wednesday, 12.09.2007</td>
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3. Material


4. Course description

This course is an introduction to Behavioural Portfolio Theory. We first discuss systematic deviations of people’s behaviour from the maxims of economic rationality. We study overconfidence bias, representativeness bias, limited attention, narrow framing, etc. and address observed characteristics of investors’ behaviour.

We then introduce the (cumulative) prospect theory, which is the most important descriptive model for decision making. We discuss applications of the prospect theory in order to solve the equity premium, the value and the size puzzles.

Finally, we introduce behavioural portfolio models and discuss the implications for investors’ asset allocations.

5. Grading

There will be individual or group paper presentations.
6. Preliminary contents

I. Individual behaviour

Selected readings:


II. Prospect theory and other models of decision makers’ preferences

Selected readings:

III. Behavioural portfolio models and asset pricing

Selected readings:


IV. Paper presentations