

Investment Decision Making (Personal Capital Management case)

6 module, 2019-2020 academic year

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Course description

The main goal of this systematization course is: using complex financial materials to contribute to further development some of the key skills essential for successful career in modern complex highly dynamic financial world, such as critical thinking and analytical skills, curiosity and readiness to new challenges, willingness to act and team working.

All topics are discussed from the art of decision-making perspectives, however without investing time in general theory. The course has strictly every-day practice orientation focus. Learning the psychological phenomena influencing people's financial decision-making will be limited and fully integrated in portfolio creation project.

After achieving a deeper understanding about main asset classes investing practice, resulting in investment matrix construction, students become familiar with basics of multiple asset class portfolio creation, with transition trend from active management to exposure allocation. The group final project allow to apply the newly obtained knowledge and big picture understanding. Finance materials are considered not only from the capital owner perspectives, but also from financial products and service producer / provider that support the ability to immediately change from sell side to buy side and backwards.

The course is highly important for those who plan to work in asset management of institutional, corporate or individuals investors as well as in any other function supporting commercial goal achievements. The course is also an aid for those who plan to gain a better GMAT score or / and CFA level.

Course requirements, grading, and attendance policies

Course prerequisites –introduction in finance.

Attendance policy – to the instructor's knowledge, no slides exist that alone could improve critical thinking ability. Course slides do not replace class room and play only supportive role.

In order to benefit from the course it is highly recommended not only to attend all sessions but also to try be on time every day.

Grading policy = $0.5 * (0.5 * CT + 0.5 * HA) + 0.5 * FE$ (CT – class test average; HA –home assignment average, including the group final project; FE- final exam).

Course contents

1. Decision making elements in corporate and personal finance. Main asset classes overview.
2. Investing in financial instruments (fixed income, equity, derivatives...), commodities and own entrepreneurial initiatives.
3. Investing in Real Estate.
4. Financial industry as the main counterpart in investing process: main business-models.
5. Investment matrix construction and multi-asset class portfolio creation.

Description of course methodology

The main method is a class discussions that are based on the brief real-life cases, class tests, home assignment and group project. Methods for critical thinking development is a systematic provocations of “common sense”; for analytical skills development –information search, selection, systematization, interpretation and presentation.

Course materials

Required textbooks and materials

It is highly advisable to have notebooks in order to search information in internet, to build Excel tables, and to pass the class tests.

Literature:

1. J. Bogle «The little book about common sense investing»;
2. S. Lucas «Wealth: grow it, protect it, spend it, and share it»;
3. W. Buffett «Letter to the shareholders», any of the last ten years;
4. Ray Dalio «Principles: Life and Management»;
5. V. DeMiguel, L. Garlappi, R. Uppal «Optimal Versus Naive Diversification: How Inefficient is the 1/N Portfolio Strategy?»;
6. B. Barber, T. Odean «The Behavior of individual investors»;
7. E. Volkova «Blockholders Diversity: Effect of Polyphony on the Power of Monitoring»;
8. P. Gupta, S. Skallsjo, Bing Li «Multi-Asset Investing: A Practitioner's Framework».

Other sources:

1. Federal Reserve Statistical Release, Z1;
2. US Security and Exchange Commission;
3. Norges Bank Investment Management;
4. Credit Suisse Global Investment Returns Yearbook;
5. Morningstar Active & Passive Barometer;
6. ETF.com;
7. Investfunds.ru;
8. Investopedia.

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.