

FIN-506

Investing: a Guide to Doing the Right Thing

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Cursus	Sem.	Type
Financial engineering	MA1, MA3	Opt.

Language of teaching	English
Credits	2
Withdrawal Session	Unauthorized Winter
Semester	Fall
Exam	During the semester
Workload	60h
Weeks	
Hours	21 weekly
Courses	21 weekly
Number of positions	48

It is not allowed to withdraw from this subject after the registration deadline.

Remark

For sem. MA3. Special schedule: see the IF website <http://sfi.epfl.ch/mfe/study-plan>

Summary

What makes a successful investor? What are the key differences between the theory of investing (EMH, CAPM etc) and its practice? How can portfolio management strategies be made more responsible, more sustainable? We will share our concrete experience as investors and financial markets practitioners.

Content

This course will seek to show what the right way to invest is, both in terms of achieving long term financial success and in terms of deploying capital in a way that is beneficial for our society and our planet. We will draw lessons from the past financial crises and make frequent references to Behavioral Finance, exploring extensively the field of Sustainable and Responsible Investing.

A typical course structure would be

1. Introduction to the range of asset classes, with a historical perspective.
2. Overview of the investment philosophies of the past 100 years (from Graham/Dodd to Risk Parity).
3. Investing in a security (equity); Case study.
4. Portfolio management, how to build long term value; Case Study.
5. Risk management; Case study.
6. Introduction to SRI (history, concept, players, values...). The SRI investment universe (across all asset classes: vehicles, markets, fiduciary duty).
7. Investment Strategies for an SRI investor. Impact investing (scope, nature, challenges, metrics).
8. Portfolio forensics (analysis, diagnosis and remedies). Keys for a successful and sustainable portfolio. Test. Course wrap-up.

Keywords

Portfolio Management, Risk Management, Value, Growth, Endowment Model, Risk Parity, Behavioural Finance, Valuation, Financial crisis, Derivatives, SRI, ESG, CSR, Sustainability, Responsibility, Ethics, Impact investing, Engagement.

Learning Prerequisites**Required courses**

Introduction to Finance (FIN401 or MGT482), Investments (FIN405).

Learning Outcomes

By the end of the course, the student must be able to:

- Explain the key concepts of portfolio management
- Assess / Evaluate investments and portfolios in terms of performance potential and risk level
- Describe the sustainable investing strategies and innovations
- Design successful and purposeful portfolios

Transversal skills

- Access and evaluate appropriate sources of information.
- Make an oral presentation.
- Demonstrate the capacity for critical thinking

Teaching methods

The course integrates interactive lectures and discussions of concrete cases. The governing principle is to put in perspective theory and real life experience. Depending on the topics, there will be either one of the two professors in charge, or both. There will be group assignments (case study to present to the class, in groups of 2-3 students).

Assessment methods

Written (final test) and oral (presentation of a case study), with a typical weighting of 65% and 35% respectively.