Course Description:
The development of Financial Economics has traditionally stood on the paradigm of rational
decision making, that is, securities and other investment decision making are based on
maximizing utility. In fact, the Efficient Market Hypothesis (EMH) is based on rational, non-
emotional, utilitarian motives. Yet, much research also shows that financial decision makers,
whether institutional investors, portfolio managers, business executives, households, and others
often make decisions that are not as rational or utility-maximizing as can be.

This hybrid course explores the intersection of investments, securities, and markets with the
psychological underpinnings of decision making. By applying research (for which several
Behavioral Finance research authors we read received Nobel Prizes) we look at how
identification of price anomalies in securities and other assets/markets can be compared to
intrinsic securities valuation concepts.

Behavioral Finance offers an interesting challenge to traditional Financial Economic theory by
explaining the psychological underpinnings of decision making which help to shed light on the
anomalies and paradoxes observed. Through readings, simulation, experiments, case studies,
book reviews, and class lecture, we explore Behavioral Finance to explain the observed
the anomalies that rational decision making cannot explain. If the market is not as efficient as the
EMH tells us, then areas such as value investing may flourish.

Course Objectives:
Upon completion of this course, students should be able to:

- Demonstrate knowledge of Behavioral Finance topics and concepts.
- Apply research in the areas of behavioral finance and psychology to help explain market
  and securities anomalies.
- Identify Behavioral Finance concepts that impact investor decision making through a
  highly interactive stock market simulation.
- Utilize Behavioral Finance knowledge to understand value investing.
- Apply analytical skills to apply Behavioral Finance concepts to value investing.
Recommended Supplementary Reading:
Students should regularly read at least one of the following financial periodicals: Wall Street Journal, New York Times, Fortune, Forbes, and the Economist Magazine, among others.

Term Paper: 10-15 page paper illustrating the student’s understanding and reflection on either Animal Spirits or Thinking, Fast and Slow. By referencing (and including with your paper as an attachment) two (2) articles from either the Wall Street Journal, Economist Magazine, New York Times, Business Week, Forbes, or Fortune, or other reputable financial or business periodical, illustrate two to three points made in your paper and show their application to the concepts we review in the course. The paper should also conclude with a reflection of what you learned through your Stock Trak simulation experience.

Assessment:
- Final Exam: 30%
- Term Paper: 25%
- Simulation (including portfolio construction, asset allocation, benchmark, behavioral mapping, trading, research) 35%
- Participation/Presentation 10%

Grading Policy:
- A = 94 to 100
- A- = 90 to 93
- B+ = 86 to 89
- B = 82 to 85
- B- = 80 to 81
- C+ = 76 to 79
- C = 72 to 75
- C- = 70 to 71
- D = 61 to 69
- F = 60 and below
Course Structure, Schedule, and Methodology

The course will begin on Tuesday, May 28 and will commence with lecture, case study, and introduction to the stock trading simulation for the first three (3) nights of class. During this time, students will claim their Stock Trak Accounts, be assigned readings to learn the Stock Trak software program, and the fundamentals of designing their portfolio.

From May 31 – June 13 Students will
1. Develop portfolio and investment thesis: Due Tuesday, June 4
2. Construct portfolio’s, decide on their asset allocation models Due June 6
3. Build appropriate benchmarks Due June 11
4. Research securities/companies/investments; execute the transactions in the simulation; journal the reasons for the decision making: Conducting during the Summer Term
5. Class lectures resume Tuesday, June 18
6. Portfolio Presentations: June 25 and June 26
7. Final Exam: June 27

Mario J. DiFiore is Assistant Dean and Senior Advisor in the Gabelli School of Business, Fordham University; Co-Director of the Corporate Compliance Institute, a joint venture between Fordham Law School and the Gabelli School of Business; and Editor of the international Journal of Financial Compliance (Henry Stewart Publications, London). Dean DiFiore also serves as Director of the Compliance Risk Management course program for Euromoney Financial Solutions (UK), and serves as Subject Matter Expert and Simulation Trainer for Tri-Simulation Corporation.

Dean DiFiore joined Fordham’s GSB Administration, July 2010 after a 25 year career on Wall Street and the Federal Reserve Bank of New York. Prior to Fordham, he was Director and Co-Global Head of Deutsche Bank AG’s Compliance Training Group for the Commercial and Investment Bank, as well as the Head of Americas Compliance Training. He was responsible for one of the largest financial regulation and Compliance training programs on Wall Street.

In addition to teaching at Fordham since 2002, Dean DiFiore has taught Finance, Economics, and Business courses at New York University, Baruch College, Pace University, SUNY Empire State College, and the Mountbatten Institute (St. Mary’s College, U.K.). He is a frequent speaker at industry events and at major corporations. As an international consultant in the areas of Risk, Compliance, Behavioral Finance, and Financial Markets, he has taught in Europe, Asia, Africa, North America, and the Middle East. Dean DiFiore received his MBA and BA (summa cum laude) from Fordham University and is pursuing a PhD degree in Finance at the NEOMA Business School (Paris, France).