

**LUISS GUIDO CARLI**  
**Department of Economics and Finance**

**Professor Paolo Vitale**

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**BSc in Economics and Business**

**Capital Markets**

Academic Year 2019-2020

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**COURSE OBJECTIVES**

To introduce students in a rigorous but intuitive way to core topics in finance. The course intends to define fundamental principles for asset pricing and show their practical implications within financial markets. Thus, the course describes the role of institutions and instruments in financial markets, illustrates the asset management industry, presents modern portfolio theory and analyzes applied portfolio management.

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**TEXTBOOK**

- **Investments (Global edition), Bodie, Kane and Marcus, McGraw-Hill, 10th ed. (2014).**
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**COURSE CONTENT**

- **Introduction to Financial Instruments and Securities Markets**

The Role of Financial Assets and Financial Markets; Separation of Ownership and Management; The Role of Financial Institutions; The Characteristics of Financial Assets; Trading Mechanisms and Market Structure of Securities Markets.

**Readings:** Chapters 1 to 3.

- **Portfolio Theory**

Introduction to Risk and Return; Historical Record of Risk and Return; Portfolios of Assets; Diversification and Portfolio Allocation; Optimal Portfolios; Frictions and Portfolio Allocation; Risk-aversion and Optimal Portfolio Selection.

**Readings:** Chapters 5 to 8.

- **Capital Markets Equilibria and Empirical Analysis of Asset Returns**

The Market Portfolio; the CAPM and its Implications; the Index Model; Empirical Evaluation of the CAPM; Extensions of the CAPM; Multi-factor Models and the Arbitrage Pricing Theory; Fama-French Three Factor Model.

**Readings:** Chapters 9, 10 and 13.

- **The Efficient Markets Hypothesis: Theory and Empirical Evaluation**

Definitions and Implications of Market Efficiency; Evidence on Market Efficiency; Mutual Funds Performance and Market Efficiency.

**Readings:** Chapter 11.

- **Applied Portfolio Management**

Mutual Funds and Other Investment Companies; Fees and Returns; Risk-adjusted Measures of Performance; Mutual Funds Performance and Market Efficiency; Market Timing and Style Analysis; Persistence Analysis.

**Readings:** Chapters 4 and 24.

### Teaching and Assessment Arrangements

- Lectures will be held on Monday from 10:00 to 12:00 and on Tuesday from 8:30 to 11:00. Office hours are held by appointment with Professor Vitale. Please e-mail [pvitale@luiss.it](mailto:pvitale@luiss.it).
- Office hours are also held weekly by Stefano Corbellini ([s.corbellini@luiss.it](mailto:s.corbellini@luiss.it)).
- Problem sets and essay type questions homework, posted on the course web-site, will be discussed in class.
- Student assessment will be via *written* exam, with numerical and essay type questions. A mid-term exam, to be held late in March, will account for 30% of the overall mark for those students who will take the final exam during the summer (May/June).