

# Asset Pricing

## Module 3, 2024-2025

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### Course description

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The core of this course is CAPM and APT, as well as application of the theory to portfolio management. We also discuss performance measurement. The course is partially case-based and will go through simple econometric tools needed to apply to financial markets.

### Course requirements, grading, and attendance policies

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Statistics, mathematics, macroeconomics.

The course grade is based on three home assignments (30%), case discussions and write-ups (20%), and final exam (50%).

### Course contents

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Week	Topic	Reading
1	<b>Return and risk, mean-variance analysis.</b> <ol style="list-style-type: none"><li>Risk and reward</li><li>Diversification</li><li>Mean-variance theory</li></ol>	[1]
2	<b>CAPM</b> <ol style="list-style-type: none"><li>Regressions and beta</li><li>CAPM</li></ol>	[2]
3	<b>Performance measurement</b> <ol style="list-style-type: none"><li>Performance measures</li><li>Indices</li><li>Benchmarks</li></ol>	[3]
4	<b>APT and multi-factor models</b> <ol style="list-style-type: none"><li>APT</li><li>Factor models</li><li>Empirical evidence</li></ol>	[4], [5]
5	<b>Mutual funds</b> <ol style="list-style-type: none"><li>Returns and risks</li><li>Empirical evidence on active funds</li></ol>	[6]
6	<b>Market efficiency</b> <ol style="list-style-type: none"><li>Market efficiency</li><li>Empirical evidence on return forecasts</li></ol>	[6], [7]
7	<b>Behavioral finance</b> <ol style="list-style-type: none"><li>Anomalies from behavioral view</li><li>Short squeezes and limits to arbitrage</li></ol>	

### Course materials

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- Ivo Welch "Investments", Chapters 9 and 10

2. Ivo Welch "Investments", Chapters 11 and 12
3. Ivo Welch "Investments", Chapters 13 and 14
4. Ivo Welch "Corporate Finance", Chapter 10
5. "Darden Capital Management: The Monticello Fund"
6. Ivo Welch "Corporate Finance", Chapter 11
7. "Global Asset Allocation: All That Glitters"

**Academic integrity policy**

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