FIN 7180 (G01/A01) (3.0 CH)
BEHAVIORAL FINANCE
FALL 2023

INSTRUCTOR

Name:	Gady Jacoby, Ph.D. (he/him)	Office Location:	434 Drake
Phone:	(204) 474-9482	Office Hours:	After class or by appointment
Email:	Gady.Jacoby@umanitoba.ca	Class Room:	122 Drake
		Class Time:	Tuesday 6:15 – 9:00pm

COURSE DESCRIPTION
Traditional finance assumes that financial market participants are fully rational. However, evidence has accumulated that contradicts this view. We will examine, in depth, how various psychological biases may impact financial decision-making and financial markets and the extent to which these tendencies lead to outcomes different from those predicted by rational models.

COURSE OBJECTIVES
This course is intended to:
1. Demonstrate how traditional assumptions and models in finance may not be sufficient to explain real-world phenomena, and how behavioral insights complement the traditional finance paradigm.
2. Give you a practical understanding of psychological biases, cognitive errors, emotions, alternative preferences, and other behavioral finance theories and concepts.
3. Help you recognize and correctly apply these behavioral and psychological concepts and theories to financial decision making, markets, and corporate finance.
4. Develop your analytical and critical thinking skills using real-world examples to examine how concepts from both traditional finance and behavioral finance can explain real-world financial behaviors and phenomena.
5. Develop analytical, research and presentation skills by replicating seminal work documenting a cognitive behavioral bias.

COURSE MATERIALS

The following materials are required:

1. **Textbook:** Statman, M. (2019). *Behavioral finance: The second generation. CFA Institute Research Foundation,* Charlottesville, VA, 2019.
   - Print ISBN-13: 9781944960858
   - eBook ISBN: 978-1-944960-86-5 (Click on the link to download a free e-copy)
2. **Laptop Computer:** For the labs session (tentatively on Nov. 21) students are required to bring a laptop computer ready with Microsoft Excel.
3. **Class notes:** Students are required to bring a copy of the notes to class. It will be impossible to follow the lecture without these notes. The notes are available on the course UM Learn site.

Additional readings will be available on UM Learn. Assigned readings should be read prior to the class session for which they are assigned. In-class discussions, exercises, and additional lecture materials will be used to situate the readings within the broader context of behavioral finance.

COURSE ASSESSMENT

Student progress will be assessed through:

Class Participation ………………………………………………………………………………	10 %
Group Project Proposal (**see table below for due date**) …………………………………	10 %
Group Project Report (**due at the start of the Nov. 28 class**) ………………………………	25 %
Group Project Presentation (**Nov. 28**) ………………………………………………………	15 %
Midterm Exam **(in class on Oct. 10)** ………………………………………………………	20 %
Final Exam **(in class on Dec. 5)** …………………………………………………………	20 %

Final grades will be assigned as follows:

Cumulative Marks	Grade	GPA	Performance
90-100	A+	4.5	Excellent
80-89.99	A	4.0	Very Good
75-79.99	B+	3.5	Good
70-74.99	B	3.0	Satisfactory
65-69.99	C+	2.5	Marginal
60-64.99	C	2.0	Unsatisfactory
50-59.99	D	1.0	Unsatisfactory
49.99 and below	F	0.0	Unsatisfactory

NOTE: Class attendance is required. Missing more than 20% of this course due to absence from lectures may result in a failing grade. It is your responsibility to inform your professor, in advance if possible, of your absence and the reason for it:

1) if **medical**, self-declaration form must be submitted for an illness lasting 5 consecutive days or less https://umanitoba.ca/governance/governing-documents-students#self-declaration-for-brief-or-temporary-student-absences, no later than 48 hours after the end of the brief absence; a medical note from your physician must be submitted for an illness lasting more than 5 days;

2) if a **work commitment**, a signed letter on letterhead from your supervisor is required in advance, noting clearly the date(s) you must be away for your work commitment(s);

3) if for **student competitions**, an email from your Asper team coach must be received in advance indicating the dates you are away at competition.

Attendance will be taken each class (starting the first class). Joining the class over 15 minutes late or leaving more than 15 minutes early (without the instructor's prior approval) will be considered absent for that class.

The professor will then decide how to deal with the impact of the missed classes on your final grade. For the group project, you will have to replicate one study from a research article which documents a specific cognitive behavioral bias. For the replication, the group will have to run the study with the classmates serving as subjects for the replication. This will take place according to the table below titled "Important Dates for Group Projects." The statistical validity of the replication critically depends on the number of human subjects (classmates) participating in the study. For this reason, in addition to the aforementioned attendance requirements, a student cannot miss more than one (1) of these five classes when a replication takes place. Missing two (2) or more of the replication meetings will result in a zero (0) participation grade regardless of the quality of class participation and contribution in class discussions.

Class Participation: A portion of your grade will be determined by your contribution to these discussions. This form of active learning means that you take responsibility both for your learning and helping others to learn more about the material. This course is about building skills to enable you to be a better employee, team member, manager, and leader. Active learning in the course is your way to demonstrate the attitudes, behaviors, and leadership that are required of these roles.

You will be graded based on the quality (and to a lesser extent, quantity) of your contribution to class discussions. Coming to class having read the assigned material will help you greatly in this regard.

Missing class will impact your class participation grade although you may have participated actively on other days. Likewise, attendance by itself will not earn you any points. You can have 100% attendance and still get a zero (0) on class participation if you did not contribute to the class discussions. It is important that you attend class regularly and participate actively in class discussions to get a good class participation grade. I am happy to discuss strategies to improve your participation.

Class participation will include an overall assessment of your contributions in a number of categories:
- **Preparation:** Showing evidence of having carefully completed and prepared for each class by making contributions that show a clear and informed understanding of the materials.
- **Participation and contribution in class discussions:** Offering informed, constructive, original contributions that build on what classmates have already said to move the discussion forward, offer original insights, share useful examples, applications, experiences, or current events, and integrate ideas from the readings into the discussion.
  - Effective contributions: Great contributors in the classroom (just like in the workplace) don't simply take up airtime. They listen intently to others and their contributions respond to and build on the ideas others offer. Their reflections show a deep understanding of the ideas and situations being discussed. Note that simply summarizing readings are not an example of effective participation.
  - Cold-calling/hot seat: I will call on students to participate in several ways – asking them for details on readings, asking their opinion, asking them to apply ideas from the readings, etc. For basic matters (like definitions from the readings or details from an article), you are expected to answer. If I ask for opinions, analysis, etc., you can ask

me to come back to you later in the discussion (without it counting against you). It's okay to need to think a little more before jumping in (but it's not okay to simply opt out of the discussion entirely.)
- Direct student-student interaction is encouraged. Such interaction should be both positive and courteous even when opinions differ.

Group Project: The project instructions will be posted on UM Learn and explained in class. The class will be divided into seven (7) groups and you will be assigned by the instructor to a team for this project. Teamwork is expected. After your group has submitted its group project, there will be a confidential peer evaluation. Those receiving a poor peer evaluation will be downgraded. Please note that you will receive a grade of zero (0) if you are not present during a group presentation.

In the event one group member commits academic dishonesty such as plagiarism, the entire group will be subject to disciplinary hearings until the 'guilty' person is identified. Therefore, it is in your best interest to check and confirm the group report is 'legit' before it is submitted.

Group Work and Professionalism
Professional behavior is expected throughout the course, as required in any workplace. This professionalism requirement extends to emails and interactions inside and outside of class with myself and other students.

You are expected to treat group work as you would in a business setting, ensuring professional behavior at all times. Professional behavior in group settings includes (but is not limited to) the following:
- Ensuring all group members voice their opinions, thoughts, and concerns;
- Taking personal responsibility to voice thoughts to benefit the group's learning;
- Contributing to the learning of the group by giving equal time and work quality as others in the group; and
- Committing to a standard of work agreed upon by the group

Late Submissions
In fairness to all students, you are expected to submit deliverables by the deadlines indicated. Unexcused late submissions will lose 20% per day. You will receive a grade of 0 if you are not present during a group presentation.

Referencing Style for Written Work
For citations in written work, you may use APA, MLA, or Chicago style. However, use only one of these styles throughout your written report and use it consistently. To learn how to use a particular style, visit this website or consult a librarian.

Important Dates for Group Projects

Group	Proposal Submission Date	Replication Date
Group 1	Sep. 26	Oct. 3
Group 2	Oct. 3	Oct. 17
Group 3	Oct. 17	Oct. 24 - Session 1
Group 4	Oct. 17	Oct. 24 - Session 2
Group 5	Oct. 24	Oct. 31
Group 6	Oct. 31	Nov. 7 - Session 1
Group 7	Oct. 31	Nov. 7 - Session 2

Note: Session 1 for replication will take place during the first 30 minutes of class and Session 2 will take place during the last 30 minutes of class. If no session is mentioned in the table (on dates with a single replication), then the replication will take place during the last 30 minutes of class.

LAB SESSIONS
This course will incorporate an in-class computer lab sessions on November 21 (tentative). This session is designed to implement a financial model to estimate stock-level market sentiment with real data using Excel.

EMAIL
Students must use your University of Manitoba email account in all correspondence with me. Please include your full name and student number in every email. It is a university policy that email communication between students and faculty is conducted solely with University of Manitoba email accounts.

GENERAL
During class time, you can only work on material covered in class. Students who use class time for any other purpose (e.g. work on assignments, read/send text messages, etc.), will be asked to leave the class. The use of electronics such as laptops, tablets, and mobile phones during class time is restricted to reading an e-copy of the course notes and is otherwise strictly prohibited.

SUMMARY OF IMPORTANT DATES
- Midterm exam: October 10 (during class time)
- No class on Nov. 14 (Fall-Term Break)
- A lab on Estimating Stock-Level Market Sentiment: Nov. 21
- Project is due: November 28; at the beginning of class
- Group Presentations: Nov. 28
- Final exam: December 5 (during class time)

TENTATIVE COURSE SCHEDULE

Topic	Date	Readings
1. Normal vs. Rational Investors	Sep. 12	Chap. 1
2. Investors' Wants - Utilitarian, Expressive, and Emotional Benefits	Sep. 12	Chap. 2
3. Cognitive Shortcuts and Errors	Sep. 12, 19	Chap. 3
4. Emotional Shortcuts and Errors	Sep. 26	Chap. 4
5. Balancing Wants, Acquiring Knowledge, and Correcting Cognitive and Emotional Errors	Sep. 26 and Oct. 3	Chap. 4
6. Behavioral Portfolios	Oct. 17 and Oct. 24	Chap. 5
7. Asset Valuation Through a Behavioral Lens	Oct. 31 and Nov. 7	Chap. 8
9. Estimating Stock-Level Market Sentiment	Nov. 7 and Nov. 21	Class Notes
9. Behavioral Life Cycle of Saving and Spending	If time permits	Chap. 6
10. Behavioral Market Efficiency	If time permits	Chap. 9

ACADEMIC REGULATIONS AND STUDENT SERVICES

UNCLAIMED ASSIGNMENT POLICY

Pursuant to the FIPPA Review Committee's approved recommendations of August 15, 2007, all unclaimed student assignments will become the property of the faculty and will be subject to destruction six months after the completion of any given academic term.

STUDENT SERVICES AND SUPPORTS

The University of Manitoba provides many different services that can enhance learning and provide support for a variety of academic and personal concerns. You are encouraged to visit the below websites to learn more about these services and supports. If you have any questions or concerns, please do not hesitate to contact your instructor or the Graduate Program Office.

For Information on…	…follow this link
Course Outlines, Year-at-a-Glance, Concentrations, Textbooks, VW Dates and Final Exams	Asper Graduate Student Resources
Exam Rescheduling Policy - *Please refer to Missing a Test/Exam on page 18 of the MBA Student Handbook*	MBA Student Handbook
Help with research needs such as books, journals, sources of data, how to cite, and writing	Library Resources
Tutors, workshops, and resources to help you improve your learning, writing, time management, and test-taking skills	Writing and Learning Support
Support and advocacy for students with disabilities to help them in their academic work and progress	Student Accessibility Services
Copyright-related questions and resources to help you avoid plagiarism or intellectual property violations	Copyright Office
Student discipline bylaws, policies and procedures on academic integrity and misconduct, appeal procedures	Academic Integrity
Policies & procedures with respect to student discipline or misconduct, including academic integrity violations	Student Discipline
Students' rights & responsibilities, policies & procedures, and support services for academic or discipline concerns	Student Advocacy

Your rights and responsibilities as a student, in both academic and non-academic contexts	Your rights and responsibilities
Full range of medical services for any physical or mental health issues	University Health Service
Information on health topics, including physical/mental health, alcohol/substance use harms, and sexual assault	Health and Wellness
Any aspect of mental health, including anxiety, stress, depression, help with relationships or other life concerns, crisis services, and counselling.	Student Counselling Centre
Support services available for help regarding any aspect of student and campus life, especially safety issues	Student Support Case Management
Resources available on campus, for environmental, mental, physical, socio-cultural, and spiritual well-being	Live Well @ UofM
Help with any concerns of harassment, discrimination, or sexual assault	Respectful Work and Learning Environment
Concerns involving violence or threats, protocols for reporting, and how the university addresses them	Violent or Threatening Behavior

It is critical to the reputation of the I. H. Asper School of Business and of our degrees that everyone associated with our faculty behaves with the highest academic integrity. As the faculty that helps create business and government leaders, we have a special obligation to ensure that our ethical standards are beyond reproach. Any misconduct in our academic transactions violates this trust. The University of Manitoba Graduate Calendar addresses the issue of academic misconduct under the heading "Plagiarism and Cheating." Specifically, acts of academic misconduct include, but are not limited to:

- using the exact words of a published or unpublished author without quotation marks and without referencing the source of these words
- duplicating a table, graph or diagram, in whole or in part, without referencing the source
- paraphrasing the conceptual framework, research design, interpretation, or any other ideas of another person, whether written or verbal (e.g., personal communications, ideas from a verbal presentation) without referencing the source
- copying the answers of another student in any test, examination, or take-home assignment
- providing answers to another student in any test, examination, or take-home assignment
- taking any unauthorized materials into an examination or term test (crib notes)
- impersonating another student or allowing another person to impersonate oneself for the purpose of submitting academic work or writing any test or examination
- stealing or mutilating library materials
- accessing tests prior to the time and date of the sitting
- changing name or answer(s) on a test after that test has been graded and returned
- submitting the same paper or portions thereof for more than one assignment, without discussions with the instructors involved.

Many courses in the I. H. Asper School of Business require group projects. Students should be aware that group projects are subject to the same rules regarding academic misconduct. Because of the unique nature of group projects, all group members must exercise extraordinary care to insure that the group project does not violate the policy on Academic Integrity. Should a violation occur on a group project, all group members will be held jointly accountable, no matter what their individual level of involvement in the specific violation.

Some courses, while not requiring group projects, encourage students to work together in groups (or at least do not prohibit it) before submitting individual assignments. Students are encouraged to discuss this issue as it relates to academic integrity with their instructor to avoid violating this policy.

In the I. H. Asper School of Business, all suspected cases of academic misconduct involving a graduate student (i.e. MBA, MFin, MSCM, MSc or PhD student) will be reported directly by the instructor to the Dean of the Faculty of Graduate Studies.

AI TOOLS   AI tools can be used to enhance learning and problem-solving skills, but they should not replace independent thinking and learning. Students must exercise critical thinking when using AI tools and acknowledge their use in academic work. Prohibited uses include generating or completing academic work with AI tools without appropriate acknowledgement. Academic honesty is paramount, and students should accurately represent their individual effort and knowledge. Faculty will provide guidance on AI tool usage and incorporate discussions on AI ethics and academic integrity. Violations may lead to disciplinary actions, including academic penalties or suspension.

Gady Jacoby
Accounting and Finance
I.H. Asper School of Business

Professor Gady Jacoby returned to the Asper School of Business and the University of Manitoba in July of 2023 after serving as Dean of the School of Economics at the College of Management Academic Studies in Israel (October 2021 to June 2023). He is an alumnus of the Hebrew University (Bachelor of Economics and Accounting and Master in Finance) and the Schulich School of Business at York University in Toronto (PhD). Previously, Professor Jacoby led the Asper School of Business for over four years; first as Interim Dean (July 2017 to March 2018) and then as Dean (April 2018 to October 2021). Before his appointment as Interim Dean, Professor Jacoby served as Asper's Associate Dean Research and Graduate Programs (January 2017 to June 2017).

Professor Jacoby's research focuses on asset pricing, behavioral finance, sustainable finance, and international finance. His research has been published in several quality journals and has been funded five times (as a principal investigator) by the prestigious and highly selective Social Sciences and Humanities Research Council of Canada granting agency. He has also held one professorship and two chairs: the Stu Clark Professorship in Financial Management (2007-2009), the Bryce Douglas Chair in Finance (2013-2018), and the CPA Manitoba Chair in Business Leadership (2018-2021). His work is frequently cited in the field of Financial Economics.

Professor Jacoby serves as an Associate Editor, Subject Editor, and Advisory Board Member for five quality academic peer-reviewed Finance journals, such as *Emerging Market Review*, *Journal of International Financial Markets Institutions and Money*, and *Finance Research Letters*. Professor Jacoby is also the co-founder and Co-Chair of two conferences: the Cross Country Perspectives in Finance (CCPF) special-theme annual conference (2016-present) as well as the special-theme conference on Sustainable Finance (2019-presnt). In addition, Professor Jacoby chaired the annual special-theme conference on The Effectiveness of Financial Regulation (2022 and 2023). All aforementioned special-theme conferences place accepted papers in Q1-rated finance journals (SJR ranking).