

Chair of Behavioral Finance



Excellence in
Management
Education

Activity Report 2011/2012

Activity Report

October 2011 until September 2012

Chair of Behavioral Finance

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A.
Chair



This report summarizes the academic activities of the members of the Chair of Behavioral Finance during the academic year 2011/2012.

With our finance courses in the Bachelor, Master, MLB and doctoral programs we could contribute to the school's educational mission. I like to thank all students for their participation and constructive evaluations.

In the area of research we could finalize a couple of new papers and contributed to some conferences. In our finance group research seminar interesting topics were presented.

I warmly thank Anja Ziegler and Dennis Dlugosch and all members from the Finance group for their helpful support.

Vallendar, October 2012

Prof. Dr. Mei Wang



**B.
Team**



Prof. Dr. Mei Wang
Professor of Behavioral Finance

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Research Interests:

- Decisions under risk and uncertainty
- Cross-cultural differences
- Experimental Economics
- Behavioral Economics and Behavioral Finance
- Financial Economics

Prof. Dr. Mei Wang has been holding the chair of Behavioral Finance since January 2011. She received her Ph.D. degree at the Carnegie Mellon University, U.S. in 2003. Before joining WHU, she was assistant Professor of Finance and Financial Markets at the University of Zurich, Switzerland, and head of the Behavioral Finance group of the University Research Priority Program. She has also worked as researcher at the University of Mannheim, Germany, and the ETH Zurich, Switzerland. Her main research interests are behavioral and experimental finance, cross-cultural comparisons and decision theory. She has published in academic journals such as *Economic Theory*, *Journal of Risk and Uncertainty*, *Risk Analysis*, *International Journal of Bank Marketing*, and others. She also contributed to a number of books in the fields of banking and derivatives.



Dennis Dlugosch
Research Assistant

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Research Interests:

- Applied Asset Pricing under Uncertainty
- Sources of Uncertainty

Dennis Dlugosch has started his Ph.D study at the chair of Behavioral Finance from May 2011. He received his diploma degree in economics from Ludwig-Maximilians-University Munich in 2009. During his diploma studies, he has collaborated in an international research project at the ifo Institute for Economic Research, Munich, which was published as a CESifo working paper. In addition, he has one year of professional experience in asset management.

Besides his duties and responsibilities at the chair of Behavioral Finance, he works for the European Center for Behavioral Finance, Allianz Global Investors, Frankfurt/Main.

Anja Ziegler
Personal Assistant

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Simone Braun
External PhD Student

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Research Interests:

- Decisions under risk and uncertainty
- Cross-cultural differences
- Behavioral Economics and Behavioral Finance
- Organizational Theory

Simone Braun started her external doctoral program at the faculty of Behavioral Finance at the WHU in July 2011. Her main research focus is on gender differences in risk preferences in cultural, psychological and social contexts. Before joining WHU, she obtained a Master degree in Finance and Management from the University of St Andrews and a Bachelor Degree from the International School of Management in Dortmund. Next to her doctoral studies, Simone works full-time at DB Advisors, the institutional Asset Management division of Deutsche Bank, where she works as a relationship manager and is responsible for a portfolio of institutional clients from the German "Public Sector".

Werner Koller
External PhD Student



Email: werner.koller@whu.edu

Research Interests:

- Behavioral Finance (esp. Behavioral Corporate Finance)

Werner Koller started his external doctoral program at the faculty of Behavioral Finance at the WHU in July 2011. His research focus is on behavioral corporate finance, especially behavioral factors in mergers & acquisitions. Before joining WHU, he obtained a diploma in business administration from the University of Applied Sciences Landshut and a Master of Business Law from the University of St. Gallen. In addition he participated in the program on negotiation at the Harvard University in June 2010.

Besides his doctoral studies, Werner Koller works full-time at DEKRA Consulting GmbH/DEKRA SE, where he heads the group strategy of DEKRA SE.



Yujing Gong
External PhD Student

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Research Interests:

- Decisions under risk and uncertainty
- Cross-cultural differences
- Behavioral Economics and Behavioral Finance

Yujing Gong has started her PhD study in the chair of Behavioral Finance from April 2012. She received her Master degree at Zhengzhou University, China in 2011. Before studying her PhD study in WHU, she has worked in Post Savings Bank of China. During her bachelor and master study, she has been an intern in Zhengzhou Commodity Exchange and a teach assistant in Zhengzhou University. Her main research interests are decisions under risk and uncertainty, and behavioral finance. She has published 2 papers in Chinese academic journals.

Johannes Schaewitz
External PhD Student



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Research Interests:

- Behavioral Decision Theory
- Behavioral Finance
- Experimental Finance
- Emotional Finance

Johannes Schaewitz started his doctoral studies at the WHU in July 2012. He holds a Bachelor of Arts in Corporate Finance and a Master of Science in Finance both from the International School of Management, Dortmund. During his studies he spent two semesters abroad, one at the Hawaii Pacific University, USA and one at the Oxford Brookes University, UK. His main research interests are Behavioral Finance, Emotions and Decision Theory.

Lectures in the Bachelor of Science Program:

International Capital Market and Derivatives
Fall 2011/Spring 2012, 2SWS

The course objective is to equip students with the fundamental tools of Finance by focusing on their theoretical derivation and practical application in integrated exercises and case studies. At the end of the course, participants know the basics of financial mathematics, portfolio theory, bond pricing, and derivatives. Also, in the case studies students will learn how to apply portfolio optimization and bond pricing in MS Excel.

Lectures in the Master of Science Program:

Financial Derivatives
Spring 2012, 2SWS

This course builds on the material covered in Options and Futures Markets. It is intended for students who have a quantitative background and are interested in enhancing their knowledge of the way in which derivatives can be analyzed.

Behavioral Finance
Spring 2012, 2SWS

This course discusses important topics in Behavioral Finance. including non-expected-utility theory, heuristics and biases, heterogenous beliefs, behavioral asset pricing, and anomalies such as equity premium puzzle, momentum, and money illusion. The goal is to understand various perspectives in the behavioral finance research and its practical relevance.

Lectures in the Master of Law and Business Program:

Corporate Finance
Spring 2012, 2SWS

This course offers an introduction into Corporate Finance. It is primarily designed for students not familiar with the Corporate Finance tools, but also targets former finance students who want to refresh their knowledge in the topics covered. It will first give an overview of corporate financing, then we will focus in more detail on capital structure theories, debt policy, payout policy, and mergers & acquisitions. The course will apply some of the tools to real case studies.

Lectures in the doctoral Program:

Behavioral Finance
Fall 2011, 2SWS

This course discusses Classical and up-to-date research in the area of behavioral finance and behavioral economics. The topics include behavioral preferences (Prospect Theory, Hyperbolic time discounting, behavioral game theory, economics of happiness, heterogeneity of preference and expectation), classical phenomena in behavioral finance (sentiment, overconfidence, momentum, limited attention), behavioral corporate finance, Cultural finance and Neuro-economic and finance

Guest lectures:

WHU Research Seminar in Finance

- Prof. Alexander Wagner from Institute of Banking and Finance, University of Zurich, Switzerland "Are shareholders stupid? Understanding the impact of binding say-on-pay on stock prices"
- Prof. Wolfgang Breuer from RWTH, Aachen University "Framing Effects in Intertemporal Choice Tasks and Financial Implications"

Behavioral Finance, MBA program

- Hans-Jörg Naumer, Head of Capital Market Analysis and European Center for Behavioral Finance, Allianz Global Investors, Frankfurt/Main

Behavioral Finance, Master of Science Program

- Hans-Jörg Naumer, Head of Capital Market Analysis and European Center for Behavioral Finance, Allianz Global Investors, Frankfurt/Main

Supervision of Bachelor, Master, and Doctoral Thesis

Dennis Dlugosch:

Essays on the Impact of Knightian Uncertainty

Using a unique international dataset on aversion to ambiguity, he seeks to provide empirical evidence, that preferences that incorporate ambiguity explain the home bias in equities.

In his experimental project, he tests the impact of different sources of uncertainty on private and institutional investors. This work is a joint-project with Dipl.-Vwl Kristian Horn (University of Innsbruck). Their experiment is supported with a research grant from the Swarowski foundation.

Simone Braun:

Preferences in psychological and social contexts: Why economics needs more than rationality

In her study, she compares gender differences in behavioral preferences across more than 50 countries using an international survey of risk attitude. The behavioral preferences include risk attitudes in gains and losses, loss aversion, probability weighting, ambiguity aversion, and time preferences. Then various hypothesis will be tested in explaining the variation of gender differences across countries. This would be the first systematic study on cross-national gender differences in behavioral preferences.

Co-supervision of dissertation projects

- Matthias Held : Option Implied Sentiment
- Ying Gan: Clawback Provisions

Bachelor Thesis

- Alexander Kretzberg & Marcel Meuer: The Interrelation of Attention and Financial Market Dynamics

Master Thesis (MLB program)

- Dongmin Kang: Major M&As in Korea since 1997 - focusing on factors for success and failure
- William Samuel McDonald: Could culture have an economically significant impact on cross border M&A transactions? If so, what would the nature of this impact be?
- Eric Frank Ringo: Termination Compensation and State Concessions (Guarantees) under the Public Private Partnership (PPP). Towards Tanzania new PPP horizon
- Yingbo Wang: Listing of Chinese companies in Germany
- Chien-Chung Lin: Country Risk Analysis – Investing in Taiwan
- Daniel Veldensteyn: Public-Private Partnerships in Infrastructure: Taking Stock after 18 Years of PPPI in Germany

Publications in international refereed journals

- Wang, Mei, Abraham Bernstein & Marc Chesney. (2012) An experimental study on real option strategies. Quantitative Finance (forthcoming).
- Marc Oliver Rieger & Mei Wang. (2012) Can ambiguity aversion solve the equity premium puzzle? Survey evidence from international data. Finance Research Letters, 9, 63-72.
- Xiao-Fei Xie, Mei Wang, Ruo-Gu Zhang, Jie Li, & Qing-Yuan Yu. (2011) The Role of Emotions in Risk Communication. Risk Analysis, 31(3), 450-465.
- Wang, Mei, Carmen Keller, & Michael Siegrist (2011) The Less You Know, The More you are Afraid of – A Survey on Risk Perceptions of Investment Products. Journal of Behavioral Finance, 12(1), 9-19.

Review activities

Mei Wang acted as reviewer for the following journals during the academic year 2011-2012: *Theory and Decisions*, *Journal of Economics and Finance Education*

Mei Wang also acted as external review for the following doctoral thesis:

- Chak Choy Sim, University of Malaya, Financial Behavior Under Risk And Uncertainty: Role of Experience and Emotion
- Pöschl Andreas Christoph, Experiments on the influence of risk information on capital markets

WHU Research Seminar in Finance



The Finance Group provides a Research Seminar which was held twice a month during the academic year 2011/2012.

Internal and external Researchers/Scientists were invited to present their papers and to respond directly to questions from the audience.

Following Researchers/Scientists were invited:

Name	Title
Marc Goergen Cardiff Business School	“Insider Trading and Financing Constraints”
Markus Schmid University of Mannheim	“A Generalization of the Calendar Time Portfolio Approach and the Performance of Private Investors”
Markus Rudolf WHU	“Seasonality and the Valuation of Commodity Options” Janis Back, Marcel Prokopczuk, and Markus Rudolf
Roman Inderst University of Frankfurt	„How (not) to pay for advice: A framework for consumer financial protection” Roman Inderst and Marco Ottaviani
Ralf Elsas LMU München	"Dynamic Capital Structure Adjustment and the Impact of Fractional Dependent Variables" Ralf Elsas and David Florysiak
Stefan Trautmann Tilburg University	“Higher Order Risk Attitudes, Demographics, and Financial Decisions” Charles N. Noussair, Stefan T. Trautmann, Gijs van de Kuilen
Wolfgang Breuer University of Aachen	Framing Effects in Intertemporal Choice Tasks and Financial Implications Wolfgang Breuer, Kalender Can Soypak
Alexander Wagner University of Zurich	Are shareholders stupid? Understanding the impact of binding say-on-pay on stock prices Alexander F. Wagner, Christoph Wenk
Nancy Huyghebaert , K.U.Leuven , Ettore Croci , Università Cattolica Milan, Nihat Aktas , EMLYON Business School, Douglas Cumming , York University - Schulich School of Business	

Presentations and invited talks

The war puzzle: Contradictory effects of international conflicts on stock markets, Collogne Financial Market Colloquium, 2012

Relating risk and time preference to consumer behavior, Luxembourg School of Finance, 2011.

Media coverage

Three behavioral biases that can affect your investment performance" forbes.com, 21. 12.2011.

Allianz Global Investors

Due to the close corporation of the chair for Behavioral Finance and the European hub of the Allianz Global Investors Center for Behavioral Finance, the chair for Behavioral Finance was able to invite Hans-Jörg Nau-mer — Chief of Capital Market Analysis and European Center for Behavioral Finance, Allianz Global Investors, Frankfurt/Main — for a presentation on „Behavioral Finance in Action“ (MSc and MBA program).

Further, the chair for Behavioral Finance designed a lecture on Behavioral Finance for sales staff, which was successfully implemented in the „Learning Bit Network“ series of Allianz Global Investors.

Additionally, the chair for Behavioral Finance and Allianz Global Investors recently started a joint research project on mutual funds flows and their reaction to shocks to uncertainty.



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