Overview of the Course in a nutshell:
- Evaluating risky assets: Risk and return of individual assets
- Combining assets, modern portfolio theory
- Simplifying the selection process - Single index models, equilibrium models
- Asset allocation
- Derivatives and their use in investment portfolios
- Performance evaluation

Financial assets are vehicles to transfer resources over the life cycle

Investing is becoming ever more important
- Institutional shifts causing households to take greater responsibility for their finances
- Pensions: defined benefits (DB) or defined contribution (DC)
- People living longer - DB schemes are a major headache for companies → huge switch to DC
- Defined benefit pension - % of your final salary paid for the rest of your life
- Defined contribution plans
    - Investment risk
    - Inflation risk
    - Life expectancy

Real Assets vs. Financial Assets
- Real assets → determine the productive capacity and net income of the economy
    - Land, buildings, machines, natural resources
- Financial assets → claim on real assets, do not contribute directly to the productive capacity of the economy
    - Stocks and bonds

Investing
- Step 1: Specify the options available (the opportunity set)
- Step 2: Specify how to choose among these options (utility, risk aversion)