SPECIFIC COURSE INFORMATION
Principles of Investment
Class Location: Nguyen Engineering Building, Room 1109
Meeting Time: 9 a.m. – 10:15 a.m.
Meeting Days and Time: Tuesdays and Thursdays, Aug. 28 – Dec. 6, 2018
Final Exam: Dec. 13, 2018, 7:30 a.m. – 10:15 a.m.

PROFESSOR’S CONTACT INFORMATION
David R. Gallay, D.Sc.
Enterprise Hall, Room 233
Telephone numbers: (703) 993-1869
E-mail address: dgallay@gmu.edu
Office hours: by appointment

COURSE INFORMATION
Course Blackboard Web Site: http://mymasonportal.gmu.edu. At this site, you can access course materials (e.g., lecture slides) and course assignments.

COURSE PREREQUISITES:
Students are expected to be familiar with basic economics and statistics. Thus, you are required to have successfully completed FNAN 301/303, ECON 103, ACCT 201, and OM 210. Taking any of the aforementioned classes concurrently with this course is not possible. If you do not know whether you meet the requirement, you should notify the instructor and also consult Student Services.

COURSE MATERIALS
Required:
- On-line registration: https://connect.mheducation.com/class/d-gallay-fall-2018

Optional:
- The Wall Street Journal or another finance-oriented publication like Business Week or the Financial Times. Access those papers in the News Resources tab at https://infoguides.gmu.edu/business/value, then click...
PROGRAM LEARNING GOALS
Upon successful completion of this course students will be able to (1) evaluate and explain the risk and return trade-offs in finance, (2) understand how to address behavioral and ethical issues in finance, and (3) conduct research necessary to construct and manage equity/fixed income portfolios and present the accompanying analysis.

COURSE OBJECTIVES
This course is an introduction to portfolio management and asset valuation. The material focuses on institutional investing, although the course is also relevant for individuals. The class will help you understand strategies and risk management tools necessary for the management of fixed income and equity portfolios. In particular, you will learn the concepts of asset allocation, risk and return trade-off, diversification, option pricing, portfolio performance evaluation, and the theory of market efficiency.

COURSE SCHEDULE

**Week 1**
Date: Aug. 28 and 30, 2018  
Lecture Topic: Introduction: Background and Issues  
Required Readings: Bodie, Kane, and Marcus (henceforth: BKM), Chap. 1  
Group Project: Instructions and beginning of practice trading  
Homework Due: None

**Week 2**
Date: Sept. 4 and 6, 2018  
Lecture Topic: Asset Classes and Financial Instruments  
Required Readings: BKM, Chap. 2  
Homework Due: Connect problems for Chapter 1

**Week 3**
Date: Sept. 11 and 13, 2018  
Lecture Topic: Security Markets  
Required Readings: BKM, Chap. 3  
Homework Due: Connect problems for Chapter 2  
Group Project: Prospectus due Sept. 11  
Group Project: Trading begins

**Week 4**
Date: Sept. 18 and 20, 2018  
Lecture Topic: Mutual Funds and Other Investment Companies  
Required Readings: BKM Chap. 4  
Homework Due: Connect problems for Chapter 3
Week 5
Date: Sept. 25 and 27, 2018
Topics: Risk and Return: Past and Prologue
Readings: BKM, Chap. 5
Homework Due: Connect problems for Chapter 4

Week 6
Date: Oct. 2 and 4, 2018
Topics: Efficient Diversification
Readings: BKM, Chap. 6
Homework Due: Connect problems for Chapter 5

Week 7
Date: Oct. 11, 2018
Topics: Exam I
Exam: Chapters 1 through 6
Homework Due: Connect problems for Chapter 6

Week 8
Date: Oct. 16 and 18, 2018
Topics: Capital Asset Pricing Model and Arbitrage Pricing Theory
Readings: BKM, Chap. 7
Homework Due: None

Week 9
Date: Oct. 23 and 25, 2018
Topics: Portfolio Performance Evaluation
Readings: BKM, Chap. 18
Homework Due: Connect problems for Chapter 7

Week 10
Date: Oct. 30 and Nov. 1, 2018
Topics: Efficient Market Hypothesis
Readings: BKM, Chap. 8
Homework Due: Connect problems for Chapter 18

Week 11
Date: Nov. 6 and 8, 2018
Topics: Taxes, Inflation, and Investment Decisions
Readings: BKM, Chap. 21
Homework Due: Connect problems for Chapter 8
**Week 12**
Date: Nov. 13 and 15, 2018  
Topics: Options Markets and Options Valuation  
Readings: BKM, Chap. 15 and Chap. 16  
Homework Due: Connect problems for Chap. 21

**Week 13**
Date: Nov. 20, 2018  
Topics: Options Valuation (continued) and Futures Markets  
Readings: BKM, Chap. 16 and Chap. 17  
Homework Due: Connect problems for Chap. 15  
Group Project Trading ends – Nov. 20

**Week 14**
Date: Nov. 27 and 29, 2018  
Topics: Futures Markets and Risk Management / Behavioral Finance  
Readings: BKM, Chap. 17 and 9  
Homework Due: Connect problems for Chap. 16

**Week 15**
Date and time: Dec. 4 and 6  
Topics: Group Presentation  
Homework Due: Connect Problems for Chap. 17

**Final Exam**
Dec. 13, 2018, 7:30 a.m. – 10:15 a.m.  
Scope: Material in all previous sessions, with emphasis on material presented in the second-half of the term.

**GROUP PROJECT**
See the detail about the group project on Blackboard (in the Group Project content area).

**STUDENT RESPONSIBILITIES**
Students are expected to be prepared for class, do their homework, and participate in class discussions.

**CLASS POLICY**
Weekly homework assignments are due at the beginning of class on the following Tuesday. (For example, Week 1’s homework assignment is due by 9 a.m. on Sept. 4.) Submit all homework via Connect. Submitted homework may be revised and resubmitted. However, each resubmission will be penalized 10%, compounded by submission. Late submissions will not be accepted unless the student has obtained permission from the professor prior to the submission date.

In addition to the assigned homework, chapter-related LearnSmart tutorials will be available to reinforce your understanding of the material. Viewing the tutorials is optional, as is the performance of the tutorial problems. While the tutorial problems have scores associated with them, the tutorial problem scores will not be considered in the computation of your final grade.
The groups’ prospectuses are due by 9 a.m., Sept. 18. The group project reports are due by 9 a.m., on Nov. 27. The prospectus and group report will be submitted in hard copy. Presentation slides will be submitted in electronic format via the Presentation Dropbox on Blackboard no later than 9 a.m., on Dec. 4. Late submissions will not be accepted unless the student has obtained permission from the professor prior to the submission date.

GRADING STANDARDS

Grades will be awarded on the basis of your class projects, homework, and your contribution in class.

<table>
<thead>
<tr>
<th>Graded Material or Activity</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Student participation</td>
<td>5%</td>
</tr>
<tr>
<td>Homework Problem Assignments</td>
<td>20%</td>
</tr>
<tr>
<td>Prospectus</td>
<td>10%</td>
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<tr>
<td>Project Presentation</td>
<td>10%</td>
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<tr>
<td>Project Report</td>
<td>10%</td>
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<tr>
<td>Exam I</td>
<td>20%</td>
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<tr>
<td>Exam II</td>
<td>25%</td>
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Final Grade Criteria

Letter grades are: A, A-, B+, B, B-, C, or F. These letter grades correspond to the following numerical scores:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A+</td>
<td>101 – 105%</td>
</tr>
<tr>
<td>A</td>
<td>93% - 100%</td>
</tr>
<tr>
<td>A-</td>
<td>90% - 93%</td>
</tr>
<tr>
<td>B+</td>
<td>87% - 89.99%</td>
</tr>
<tr>
<td>B</td>
<td>83% - 87.99%</td>
</tr>
<tr>
<td>B-</td>
<td>80% - 82.99%</td>
</tr>
<tr>
<td>C</td>
<td>79% - 70%</td>
</tr>
<tr>
<td>D</td>
<td>Below 70%</td>
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The professor reserves the right to change the grading policy for the course.

SCHOOL OF BUSINESS STANDARDS OF BEHAVIOR

The mission of the School of Business at George Mason University is to create and deliver high-quality educational programs and research. Students, faculty, staff, and alumni who participate in these educational programs contribute to the well-being of society. High-quality educational programs require an environment of trust and mutual respect, free expression and inquiry, and a commitment to truth, excellence, and lifelong learning. Students, program participants, faculty, staff, and alumni accept these principles when they join the School of Business community. In doing so, they agree to abide by the following standards of behavior:

- Respect for the rights, differences, and dignity of others
- Honesty and integrity in dealing with all members of the community
- Accountability for personal behavior
Integrity is an essential ingredient of a successful learning community. Ethical standards of behavior help promote a safe and productive community environment, and ensure every member the opportunity to pursue excellence. School of Business can and should be a living model of these behavioral standards. To this end, community members have a personal responsibility to integrate these standards into every aspect of their experience at the School of Business. Through our personal commitment to these Community Standards of Behavior, we can create an environment in which all can achieve their full potential.

HONOR CODE STATEMENT

Honor System and Code: The Honor System and Code adopted by George Mason University will be enforced for this class: [http://oai.gmu.edu/the-mason-honor-code/](http://oai.gmu.edu/the-mason-honor-code/)

Keep in mind that, in your written work, you may not present as your own the words, the work, or the opinions of someone else without proper acknowledgement. You also may not borrow the sequence of ideas, the arrangement of material, or the pattern of thought of someone else without proper acknowledgement. Please note: Faculty are obligated to submit any Honor Code violations or suspected violations to the Honor Committee without exception.

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th>First Offense</th>
<th>Second Offense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plagiarism</td>
<td>First offense: 1. Failure to cite/attribute sources. 2. Representing someone else’s work as the student’s own (e.g., copying and pasting)</td>
<td>Second offense: An F in the class; referral to Writing Center; and Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion</td>
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<td></td>
<td>An F in the class; referral to Writing Center; and Academic Integrity Seminar completion</td>
<td>An F in the class; referral to the Writing Center; Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion</td>
</tr>
<tr>
<td>Cheating</td>
<td>First offense: 1. On a minor assignment (e.g., homework, quizzes). 2. Cheating on a major assignment or exam, submitting course work from another course as original work</td>
<td>Second offense: An F in the class; and Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion</td>
</tr>
<tr>
<td></td>
<td>An F in the class; and Academic Integrity Seminar completion</td>
<td>An F in the class, Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion</td>
</tr>
<tr>
<td>Lying (e.g., providing fraudulent excuse documents, falsifying data)</td>
<td>An F in the class; and Academic Integrity Seminar completion, and at least one semester suspension</td>
<td>An F in the class; Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion</td>
</tr>
<tr>
<td>Eggregious Violation (e.g., stealing an exam; submitting coursework from another class as original work across multiple courses; lying to an employer about academic performance, false identification or posing as another, in person or online)</td>
<td>An F in the class, Academic Integrity Seminar completion; termination from the School of Business; and at least one-year suspension</td>
<td>An F in the class; Academic Integrity Seminar completion; termination from the School of Business; and expulsion</td>
</tr>
</tbody>
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BUSINESS LIBRARY LIAISON INFORMATION
Jo Ann J. Henson, MLIS Business and Economics Liaison Librarian
Fenwick Library Fairfax Campus: http://infoguides.gmu.edu/business

DISABILITY
If you have a disability and you need academic accommodations, please see me and contact the Office of Disability Services (ODS) at 703-993-2474. All academic accommodations must be arranged through the ODS. Please take care of this during the first two weeks of the semester. More information about ODS is available at http://www.gmu.edu/student/drc

RELIGION
Students who will miss class for religious reasons should inform me of their anticipated absences as soon as possible.

COUNSELING CENTER
George Mason University has a counseling center that can provide assistance if you find yourself overwhelmed by life, want training in academic or life skills, or the like. More information is available at http://www.gmu.edu/departments/csdc/

WRITING ASSIGNMENT STANDARDS
All writing assignments should be formatted as follows: double-spaced, Times New Roman, 12-point font, and 1-inch margins. To cite and reference professional or academic sources, please use note-bibliography format as described in Chicago style. Specific instructions for in-text citations and referencing are found at https://english.purdue.edu/owl/resource/717/01/

To help manage the citations and seamlessly create reference lists, Mason supports a free software called Zotero. Please go to https://www.zotero.org/. This program offers:
- Centralized bibliography management
- Ability to sync across computers
- Ability for teams to combine contributions to the references
- Word plug-in that allows citation management within MS word

George Mason University has a writing center that can help you improve your English writing skills. More information is available at http://writingcenter.gmu.edu/

INCLEMENT WEATHER AND CAMPUS EMERGENCIES
Information regarding weather related changes in the University’s schedule (e.g., closing or late opening) will be provided on the GMU website and via MasonAlert. Students sign up for the Mason Alert system to provide emergency information of various sorts at https://alert.gmu.edu.

If the Fairfax campus closes, the professor will post on Blackboard a video version of the regularly scheduled class lecture later in the day. Students will be alerted by e-mail once the video is available for viewing. (This approach will eliminate the need for a make-up class session later in the semester.)
An emergency poster exists in each classroom explaining what to do in the event of crises and that further information about emergency procedures exists on http://www.gmu.edu/service/cert