SPECIFIC COURSE INFORMATION
Principles of Investment
Class Location: Arts and Design Building, Room 2026
Meeting Days and Time: Tuesdays and Thursdays, 9:00 – 10:15 a.m., Aug. 27 – Dec. 5, 2019
Final Exam: Dec. 12, 2019, 9:00 - 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:
You (the student) 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 prerequisite courses concurrently with this course is not possible.

COURSE MATERIALS
Required:
- On-line registration:

Optional:
- The Wall Street Journal or another finance-oriented publication like Business Week or the Financial Times. Access those paper in the News Resources tab at https://infoguides.gmu.edu/business/value, then cl

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. 27 and 29, 2019
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. 3 and 5, 2019
Lecture Topic: Asset Classes and Financial Instruments
Required Readings: BKM, Chap. 2
Homework Due: Connect problems for Chapter 1

**Week 3**
Date: Sept. 10 and 12, 2019
Lecture Topic: Security Markets
Required Readings: BKM, Chap. 3
Homework Due: Connect problems for Chapter 2
Group Project: Trading begins

**Week 4**
Date: Sept. 17 and 19, 2019
Lecture Topic: Mutual Funds and Other Investment Companies
Required Readings: BKM Chap. 4
Homework Due: Connect problems for Chapter 3
Group Project: Prospectus due
Week 5
Date: Sept. 24 and 26, 2019
Topic: Risk and Return: Past and Prologue
Readings: BKM, Chap. 5
Homework Due: Connect problems for Chapter 4

Week 6
Date: Oct. 1 and 3, 2019
Topic: Efficient Diversification
Readings: BKM, Chap. 6
Homework Due: Connect problems for Chapter 5

Week 7
Date: Oct. 8 and 10, 2019
Topic: Capital Asset Pricing Model and Arbitrage Pricing Theory
Readings: BKM, Chap. 7
Homework Due: Connect problems for Chapter 6

Week 8
Date: Oct. 17, 2019
Topic: Exam I
Exam: Chapters 1 through 6
Homework Due: None

Week 9
Date: Oct. 22 and 24, 2019
Topic: Evaluating Investment Performance
Readings: BKM, Chapter 18
Homework Due: Chapter 7

Week 10
Date: Oct. 29 and 31, 2019
Topic: Efficient Market Hypothesis
Readings: BKM, Chap. 8
Homework Due: Connect problems for Chapter 18

Week 11
Date: Nov. 5 and 7, 2019
Topic: Taxes, Inflation, and Investment Decisions
Readings: BKM, Chap. 21
Homework Due: Connect problems for Chapter 8
**Week 12**
Date: Nov. 12 and 14, 2019  
Topic: Options Markets  
Readings: BKM, Chap. 15  
Homework Due: Connect problems for Chapter 21

**Week 13**
Date: Nov. 19 and 21, 2019  
Topic: Options Valuation  
Readings: BKM, Chapter 16  
Homework Due: Connect problems for Chap. 15  
Group Project Trading ends – Nov. 19

**Week 14**
Date: Nov. 26, 2019  
Topic: Futures Markets and Risk Management  
Readings: BKM, Chapter 17  
Homework Due: Connect problems for Chapter. 16

**Week 15**
Date and time: Dec. 3 and 5, 2019  
Topic: Group Presentations  
Readings BKM, Chapter 9  
Homework Due: Connect Problems for Chapters 17 (Dec. 6)  
Group Project Project Report (Dec. 3)

**Final Exam** Dec. 12, 2019, 9 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).

The groups’ prospectuses are due at 9 a.m., Sept. 17. The group project reports are at 9 a.m., on Dec. 3. 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.3. Late submissions will not be accepted unless the student has obtained permission from the professor prior to the submission date.

**STUDENT RESPONSIBILITIES**
You are expected to be prepared for class, do your 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. 3.) Submit all homework via Connect. Submitted homework may be revised and resubmitted. However, each resubmission will be penalized 10%, compounded by submission. I (your professor) will not accept late submissions, unless you obtain my permission to submit late. However, you must obtain my permission prior to the submission date.

In addition to the assigned homework, LearnSmart tutorials for each chapter will be available to reinforce your understanding of the material. Viewing the tutorials is optional, as is the performance of the tutorial problems. The tutorial problem scores will not be considered in the computation of your final grade.

WRITING ASSIGNMENT STANDARDS
All writing assignments should be formatted as follows: single-spaced, Times New Roman, 12-point font, and 1-inch margins. Use APA style to cite and reference professional or academic sources. Here’s an APA style quick guide: https://writingcenter.gmu.edu/guides/apa-style-quick-guide.

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/

GRADING STANDARDS
Your final grade will be based on the weighted average of your homework scores and your exam scores. See the table below for the weighting factors.

<table>
<thead>
<tr>
<th>Graded Material or Activity</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Homework Problem Assignments</td>
<td>20%</td>
</tr>
<tr>
<td>Prospectus</td>
<td>10%</td>
</tr>
<tr>
<td>Project Presentation</td>
<td>5%</td>
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<tr>
<td>Project Report</td>
<td>15%</td>
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<tr>
<td>Exam I</td>
<td>25%</td>
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<tr>
<td>Exam II</td>
<td>25%</td>
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Final Grade Criteria
Letter grades associated with the composite weighted average scores are listed in the table below:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Range</th>
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<tbody>
<tr>
<td>A+</td>
<td>&gt;=97.5%</td>
</tr>
<tr>
<td>A</td>
<td>92.5% – 97.4%</td>
</tr>
<tr>
<td>A-</td>
<td>89.5% – 92.4%</td>
</tr>
<tr>
<td>B+</td>
<td>86.5% – 89.4%</td>
</tr>
<tr>
<td>B</td>
<td>82.5% – 86.4%</td>
</tr>
<tr>
<td>B-</td>
<td>79.5% – 82.4%</td>
</tr>
<tr>
<td>C+</td>
<td>76.5% – 79.4%</td>
</tr>
<tr>
<td>C</td>
<td>69.5% – 76.4%</td>
</tr>
<tr>
<td>D</td>
<td>59.5% - 69.4%</td>
</tr>
<tr>
<td>F</td>
<td>&lt;59.5%</td>
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</table>

I reserve 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 they 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/

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.

**School of Business Recommendations for Honor Code Violations**  
*Approved May 2016*

<table>
<thead>
<tr>
<th>UG-Non-Freshman Students (including transfer students)</th>
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</thead>
<tbody>
<tr>
<td><strong>Type of Violation</strong></td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>Plagiarism</td>
</tr>
<tr>
<td>1. Failure to cite/attribute sources</td>
</tr>
<tr>
<td>2. Representing someone else’s work as the student’s own (e.g., copying and pasting)</td>
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<tr>
<td>Cheating</td>
</tr>
<tr>
<td>1. On a minor assignment (e.g., homework, quizzes)</td>
</tr>
<tr>
<td>2. Cheating on a major assignment or exam, submitting course work from another course as original work</td>
</tr>
<tr>
<td>Lying (e.g., providing fraudulent excuse documents, falsifying data)</td>
</tr>
<tr>
<td>Egregious 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>
</tr>
</tbody>
</table>

**BUSINESS LIBRARY LIAISON INFORMATION**  
*Jo Ann J. Henson, MLIS* Business and Economics Liaison Librarian  
Fenwick Library Fairfax Campus: [http://infoguides.gmu.edu/business](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](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/

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, I will post on Blackboard a video version of the regularly scheduled class lecture later in the day. I will alert you 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