Finance 311: Principles of Investment
Fall 2019

Course Information:
Finance 311: Principles of Investment – Section 002
Class Room: Robinson Hall, Room B203
Mondays, 7:20-10:00pm
Course Website: Available on Blackboard

Instructor:
Charles T. York, CFA, CFP®
Phone: 703-679-8850
Email: cyork4@gmu.edu
Office Location: Enterprise 181
Office Hours: Mondays before class (6:00–7:00pm) or by appointment

Course Description:
This course is an introduction to portfolio management and the valuation of equity and debt securities given modern capital market theory. 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, CAPM, the theory of market efficiency, portfolio performance evaluation, behavioral finance, as well as the analysis of debt and equity securities.

Learning objectives:
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.

Prerequisites:
Students are expected to be familiar with basic economics and statistics. You are required to have successfully completed FNAN 301/303. No exceptions to the School of Business rules of admittance. If you do not know whether you meet the requirement, you should notify the instructor and also consult Student Services.

Textbook and Connect
Essentials of Investments, 11th edition, Bodie, Kane, and Marcus, McGraw-Hill Irwin, New York, NY, 2019. (BKM). This textbook is required in conjunction with a subscription to McGraw-Hill Connect. You may purchase an electronic copy of the textbook (Connect Plus), or rent/buy a physical copy via the GMU bookstore or anywhere else.

Connect access can be purchased either at the GMU bookstore or through the Connect web site: https://connect.mheducation.com/class/c-york-finance-311--fall2019---section-002
Other Resources: You will need a calculator with financial functions (e.g. PV, FV, PMT, P/Y, I/Y, etc.). Look for a financial calculator such as a ‘Hewlett-Packard 10bII Plus’ or ‘Texas Instruments BA II Plus’. Check for financial functions. The calculator should be brought to class on a regular basis.

A subscription to the Wall Street Journal is also encouraged (or another finance oriented publication like Bloomberg Businessweek, the Economist or the Financial Times).

Students may wish to keep up with the latest financial news on websites such as: http://www.bloomberg.com; http://www.cnbc.com; http://finance.yahoo.com; http://www.google.com/finance.

Articles and online resources to emphasize key concepts and applications will be posted on Blackboard.

Class meetings will have a combination of lecture, discussion, activities, and guest speakers. You will have weekly assigned homework on Connect, several in class assignments, and work on a group project. There will be four scheduled quizzes (with the lowest quiz grade dropped), a mid-term exam and a final exam.

**Group Project:**
Student groups (3-5 students per group) will submit a project report and make a team presentation in Week 14. [Note: You will not be allowed to work alone, so please plan accordingly]. Details about the project will be handed out in class. Projects will be evaluated on written work and the in-class presentation. Peer evaluation forms will be distributed to allow students to rate the relative contributions of each group member. These ratings will be utilized when determining your overall grade for the project.

**Grading:**

**Weighting:**

**Exams / Quizzes**
- Quizzes (best 3 of 4) 15%
- Midterm Exam (Oct. 15) 20%
- Final Exam (Dec. 16) 25%

**Connect Homework** 10%

**In Class Assignments and Participation** 10%

**Group Project**
- Project Report 10%
- Project Presentation 10%

**TOTAL** 100%

Late assignments will have points deducted based on how late they are.

**Grade Scale:**
Please note: grades/percentages will not be ‘rounded up’.

<table>
<thead>
<tr>
<th>Letter Grade</th>
<th>Percentage</th>
<th>Letter Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>≥93.3%</td>
<td>C+</td>
<td>≥76.3%</td>
</tr>
<tr>
<td>A-</td>
<td>≥90.0%</td>
<td>C</td>
<td>≥70.0%</td>
</tr>
<tr>
<td>B+</td>
<td>≥86.6%</td>
<td>D</td>
<td>≥64.0%</td>
</tr>
<tr>
<td>B</td>
<td>≥83.3%</td>
<td>F</td>
<td>below 64%</td>
</tr>
<tr>
<td>B-</td>
<td>≥80.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
You can access Patriot Web for final grades approximately 48 hours after the scheduled final exam. Once posted, they are final. I do not negotiate final grades.

Course Outline:

**FNAN-311: PRINCIPLES OF INVESTMENT**  
Fall 2019

<table>
<thead>
<tr>
<th>Class No.</th>
<th>Date</th>
<th>Segment</th>
<th>Topics</th>
<th>Required Readings / Homework Due</th>
</tr>
</thead>
</table>
| Week 1    | 26-Aug   | Investments: Background and Issues | Introduction / Course Objectives  
Investments: Background and Issues  
Financial Crisis of 2008 | Reading: BKM: Chapter 1 (p. 2-22)  
Homework: None |
| Week 2    | 9-Sep    | Asset Classes and Financial Instruments | Money Market Instruments  
Fixed Income  
Equities | Reading: BKM: Chapter 2 (p. 26-49)  
Homework: Connect HW for Chapter 2 |
| Week 3    | 16-Sep   | Securities Markets    | Quiz 1  
Securities Issuance  
Securities Trading  
US and Global Securities Markets | Reading: BKM: Chapter 3 (p. 54-79)  
Homework: Connect HW for Chapter 2 |
| Week 4    | 23-Sep   | Mutual Funds / Other Invest. Companies | Types of Investment Companies  
Mutual Funds  
ETFs | Reading: BKM: Chapter 4 (p. 84-104)  
Homework: Connect HW for Chapter 3 |
| Week 5    | 30-Sep   | Security Analysis: Macroeconomic and Industry Analysis | Quiz 2  
Macroeconomics and Interest Rates  
Monetary and Fiscal Policy  
Industry Analysis and Business Cycle | Reading: BKM: Chapter 12 (p. 362-384)  
Homework: Connect HW for Chapter 4 |
| Week 6    | 7-Oct    | Bond Prices and Yields | Bond Characteristics  
Bond Prices/Yields  
Yield Curve | Reading: BKM: Chapter 10 (p. 282-317)  
Homework: Connect HW for Chapter 12 |
| Week 7    | 15-Oct   | MID TERM EXAM         | Exam: Chapters 1-4, 12, 10 | |
| Week 8    | 21-Oct   | Risk and Return: Past and Prologue Efficient Diversification | Rates of Return / Inflation and Real Rates  
Risk and Risk Premiums  
Diversification and Portfolio Risk  
Efficient Diversification - Many Risky Assets | Reading: BKM: Chapter 5&6 (p. 110-180)  
Homework: Connect HW for Chapter 10 |
| Week 9    | 28-Oct   | CAPM and Arbitrage Pricing Theory Efficient Market Hypothesis | Capital Asset Pricing Model (CAPM)  
Multifactor Models: Fama-French Model  
Arbitrage Pricing Theory  
Random Walks and the EMH  
Implications of the EMH  
Market Efficiency | Reading: BKM: Chapter 7&8 (p. 192-248)  
Homework: Connect HW for Chapters 5&6 |
| Week 10   | 4-Nov    | Portfolio Performance Evaluation | Quiz 3  
Risk-Adjusted Returns  
Style Analysis  
Performance Attribution | Reading: BKM: Chapter 18 (p. 580-605)  
Homework: Connect HW for Chapter 7&8 |
| Week 11   | 11-Nov   | Equity Valuation      | Intrinsic Value  
Dividend Discount Models  
P/E Ratios | Reading: BKM: Chapter 13 (p. 393-422)  
Homework: Connect HW for Chapter 18 |
| Week 12   | 18-Nov   | Behavioral Finance and Technical Analysis | Behavioral Bias  
Technical Analysis | Reading: BKM: Chapter 9 (p. 255-273)  
Homework: Connect HW for Chapter 13 |
| Week 13   | 25-Nov   | Options Markets and Options Valuation | Quiz 4  
Types of Options Contracts  
Optionlike Securities  
Option Valuation: Black-Scholes Formula | Reading: BKM: Chapters 15 & 16 (p. 474-535)  
Homework: Connect HW for Chapter 9 |
| Week 14   | 2-Dec    | Group Presentations   | Group Presentations  
Review Session | Homework: Connect HW for Chapters 15 & 16  
Turn in Group Project Report |
| Week 14   | 16-Dec   | FINAL EXAM            |                                                   |

*Note: BKM = Bodie, Kane, Marcus, "Essentials of Investments", 11th Edition*
Accommodations for Disabilities
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 https://ds.gmu.edu/

Academic Integrity:
The principle of academic integrity is taken very seriously and violations are treated gravely. What does academic integrity mean in this course? Essentially this: when you are responsible for a task, you will perform that task. When you rely on someone else’s work in an aspect of the performance of that task, you will give full credit in the proper, accepted form. Another aspect of academic integrity is the free play of ideas. Vigorous discussion and debate are encouraged in this course, with the firm expectation that all aspects of the class will be conducted with civility and respect for differing ideas, perspectives, and traditions.

The Honor System and Code adopted by George Mason University will be enforced for this class: https://oai.gmu.edu/mason-honor-code/

School of Business Community 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.

Business Library Liaison Information:
Jo Ann J. Henson, MLIS Business and Economics Liaison Librarian Fenwick Library Fairfax Campus: http://infoguides.gmu.edu/business

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