Class Meeting

Section 001: Tuesday & Thursday, 3:00 – 4:15, Planetary Hall 120

Section 002: Tuesday & Thursday, 12:00 – 1:15, Mason Hall D023

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.

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.
Prerequisites

Students are expected to be familiar with basic economics and statistics. Thus, you are required to have successfully completed FNAN 301, ECON 103, ACCT 201, and OM 210. No exceptions to the SOM rules of admittance. 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 Textbook and Resources

Required Textbook: Bodie, Kane, and Marcus, *Essentials of Investments*, 9th edition, McGraw-Hill/Irvin, 2012 (BKM). You may also want to consider the solutions manual for use with this book. An electronic version of the book may be found at either of the following websites:

https://connect.mheducation.com/class/d-horstmeyer-fall-2014
http://www.coursesmart.com/IR/5195081/0077502272?__hdv=6.8

Other Resources: A calculator is required (non programmable is recommended – e.g. HP 10b11+) and should be brought to class on a daily basis. A subscription to the Wall Street Journal is also encouraged (or another finance oriented publication like Business Week or the Financial Times).

Grades

Since this is an advanced course, it inevitably covers more difficult topics than those in FNAN 301. I expect this course to be intellectually challenging. My intention is to grade generously, but fair. I will, however, not hesitate to give low grades to those who clearly did not put in a sufficient amount of effort.

Your final grade will be based on:

- Class Participation/Attendance 5%
- Homework/Problem Sets 5%
- Quizzes: (Keep the best 3 out of 4) 15%
- Midterm Exam: (October 9th) 20%
- Portfolio Project: (November 18th) 20%
- Final Exam (See GMU’s Schedule) 35%

Grade distribution is based on a standard 10-point scale: 92-100 = A; 90-92 = A-; 88-90 = B+; 82-88 = B; 80-82 = B-, etc. All grades are calculated straight from the raw points allotted from each assignment.
Note: The final exam is a comprehensive final and will cover issues from the first midterm exam. Students are not allowed to skip any exams and must take the exam at the scheduled time. Any student missing an exam will receive a grade of zero. One exception is that you present a physician’s statement attesting to illness on the day of the exam or for an extraordinary reason.

**Problem Sets/Quizzes**

I will assign problems for homework. The assignments will be collected and checked for effort. Part of the each exam will be taken either directly or slightly modified from the homework, thus it is your responsibility to do each assigned question.

There will be 4 quizzes total. The quiz with the lowest score will be dropped – leading to 3 quizzes total showing up on your final grade, each worth 5% of your final grade.

**Group Project**

Details on the project will be handed out in class. It will be a team project (a team of 3-5 students). You will *not* be allowed to work alone under any circumstances, so please plan accordingly. At the end of the semester, a “peer-evaluation” form will be distributed to allow students to rate the relative contribution of each group member, which will be used in determining overall project grades.

**Important Rules**

The test and the final exam must be taken without notes or sheets of formulas. You will be required to bring your own financial calculator to the exams. Sharing calculators is not allowed.

Please write professional emails when corresponding. Any non-professional emails received will not be responded to on my part.

**Appeal of Grading**

If you wish your answer to a question to be regarded, first submit a copy of your answer to the question and a written explanation of why you believe that the grading is incorrect. You must turn in this material within one week after the graded work is returned. In general, the entire exam will be checked for grading errors, and correcting these could either raise or lower the overall score.
University Office of Disability Services

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center at (703) 993-2474. All academic accommodations must be arranged through the DRC.

Academic Misconduct

Academic misconduct causes failing the course and triggers quite unpleasant university-mandated procedures which result in further sanctions. Faculty Rule 2.11.5 (Faculty Responsibility under the Honor Code) requires alleged misconduct to be reported to the department and the Honor Committee. So follow the GMU honor code at all times and don’t even think about cheating!

Tentative Course Outline

Each class period includes required readings from the textbook Bodie, Kane, and Marcus, 9th ed. (BKM).

Except for the dates of the exams and the project deadlines, the dates in the course schedule are approximate and could be subject to change.

I. Assets and Financial Markets

Weeks 1 (Aug. 25-29): Course Introduction and Background
Course Syllabus and BKM 1

Week 2 (Sept. 1-5): Asset Classes, Financial Securities, and Market Structure
BKM 2 and 3

Week 3 (Sept. 8-12): Returns and Risk & Capital Allocation
BKM 5

II. Portfolio Theory

Week 4 (Sept. 15-19): Diversification and Efficient Frontier
BKM 6
Quiz 1: Chapters 1, 2, 3 and 5

Week 5 (Sept. 22-26): CAPM
BKM 7
Project Two: Trading Project Starts!
Week 6 (Sept. 29-Oct. 3): Overflow and Review
Quiz 2: Chapters 6 and 7

Week 7 (Oct. 9): Midterm Exam

Week 8 (Oct. 13-17): Mutual Funds
BKM 4

Week 9 (Oct. 20-24): Mutual Fund Portfolio Evaluation
BKM 18

III. Efficient Market Hypothesis and Behavioral Finance

Week 10 (Oct. 27-31): Efficient Market Hypothesis
BKM 8
Quiz 3: Chapters 4 and 18

Week 11 (Nov. 3-7): Taxes and Investment Decisions
BKM 21
Trading Project Ends!

IV. Presentations and Options

Week 12 (Nov. 10-14): Options
BKM 15

Week 13 (Nov. 17-21): Project Presentation (Reports and Slides are due.)
Group Project

Week 14 (Nov. 24-28): Options Cont’d
BKM 15
Quiz 4: Chapters 8, 21 and 15

Week 15 (Dec. 1-5): Overflow and Review
## School of Business Recommendations for Honor Code Violations

*Adopted by the faculty May 2012*

### UG-Non Freshman Students (including transfer students)

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th>First Offense</th>
<th>Second Offense</th>
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<tbody>
<tr>
<td>Plagiarism—failure to cite/attribute sources</td>
<td>An F in the class; multiple visits to the Writing Center required; and Academic Integrity Seminar Attendance</td>
<td>An F in the class; multiple visits to the Writing Center required; Academic Integrity Seminar Attendance; dismissal from the program; and possible suspension or expulsion</td>
</tr>
<tr>
<td>Plagiarism—representing someone else’s work as the student’s own</td>
<td>An F in the class; multiple visits to the Writing Center required; and Academic Integrity Seminar Attendance</td>
<td>An F in the class; multiple visits to the Writing Center required; Academic Integrity Seminar Attendance (at times of hearing and reenrollment if relevant); dismissal from the program; and possible suspension or expulsion</td>
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<tr>
<td>Cheating on an assignment, homework, class participation, or minor project</td>
<td>An F in the class; and Academic Integrity Seminar Attendance</td>
<td>Expulsion</td>
</tr>
<tr>
<td>Cheating on a major project, test, or exam</td>
<td>An F in the class; Academic Integrity Seminar Attendance; and at least one semester suspension</td>
<td>Expulsion</td>
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<tr>
<td>Egregious Violation [e.g., stealing an exam; submitting coursework from another class as original work; lying to an employer about academic performance]</td>
<td>Dismissal from the program; at least one year suspension; and attendance at Academic Integrity Seminar at the time of hearing and just prior to reenrollment</td>
<td>Expulsion</td>
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