SPECIFIC COURSE INFORMATION
Principles of Investment
Class Location: Innovation Hall, Room 206
Class Meeting Days and Time: Mondays and Wednesdays; 10:30 to 11.45 a.m.

PROFESSOR’S CONTACT INFORMATION
David R. Gallay, D.Sc.
Enterprise Hall, Room 221
Telephone numbers: (703) 993-1869
E-mail address: dgallay@gmu.edu
Office hours: by appointment

Consider this syllabus an agreement. There are no “extra credit” assignments. Unless otherwise stated, students are responsible for all text material, whether covered in class or not. Class notes are the students’ responsibility.

Absences are treated consistent with University policy. Conflicts due to professional commitments must be indicated in advance; obligations will be due on or prior to the original due dates.

Make-up exams will only be given by prior arrangement or in case of significant illness.

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:
- An electronic spreadsheet (e.g., Excel) or a handheld calculator (e.g., TI-83 or TI-84) and should be brought to class on a daily basis.

Optional:
- A subscription to the Wall Street Journal is also encouraged (or another finance oriented publication like Business Week or the Financial Times).

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 and time: Jan. 20, 2016, 10:30 to 11.45 a.m.
- Lecture Topics: Introduction: Background and Issues
- Required Readings: Bodie, Kane, and Marcus (henceforth: BKM), Chap. 1
- Homework Due: None

**Week 2**
- Date and time: Jan. 25 and Jan. 27, 2016, 10:30 to 11.45 a.m.
- Lecture Topic: Asset Classes and Financial Instruments
- Required Readings: BKM, Chap. 2
- Group Project: Instructions and beginning of practice trading
- Homework Due: Connect problems for Chapter 1
**Week 3**
Date and time: Feb. 1 and Feb. 3, 2016, 10:30 to 11.45 a.m.
Lecture Topic: Security Markets
Required Readings: BKM, Chap. 3
Homework Due: Connect problems for Chapter 2

**Week 4**
Date and time: Feb. 8 and Feb. 10, 2016, 10:30 to 11.45 a.m.
Lecture Topic: Risk and Return: Past and Prologue
Required Readings: BKM Chap. 5
Homework Due: Connect problems for Chapter 3
Group Project: Trading begins

**Week 5**
Date and time: Feb. 15 and Feb. 17, 2016, 10:30 to 11.45 a.m.
Topics: Efficient Diversification
Readings: BKM, Chap. 6
Homework Due: Connect problems for Chapter 5
Group Project: Prospectus due Feb. 15

**Week 6**
Date and time: Feb. 22 and Feb. 24, 2016, 10:30 to 11.45 a.m.
Topics: Capital Asset Pricing Model and Arbitrage Pricing Theory
Readings: BKM, Chap. 7
Homework Due: Connect problems for Chapter 6

**Week 7**
Date and time: Feb. 29 and Mar. 2, 2016, 10:30 to 11.45 a.m.
Topics: Mid-course review (Feb. 29) and midterm exam (Mar. 2)
Exam: Chapters 1 through 7 (except Chapter 4)
Homework Due: Connect problems for Chapter 7

----Spring Break----

**Week 8**
Date and time: Mar. 14 and Mar. 16, 2016, 10:30 to 11.45 a.m.
Topics: Mutual Funds and Other Investment Companies
Readings: BKM, Chap. 4
Homework Due: None

**Week 9**
Date and time: Mar. 21 and Mar. 23, 2016, 10:30 to 11.45 a.m.
Topics: Portfolio Performance Evaluation
Readings: BKM, Chap. 18
Homework Due: Connect problems for Chapter 4
**Week 10**

Date and time: Mar. 28 and Mar. 30, 2016, 10:30 to 11.45 a.m.
Topics: Efficient Market Hypothesis
Readings: BKM, Chap. 8
Homework Due: Connect problems for Chapter 18

**Week 11**

Date and time: Apr. 4 and Apr. 6, 2016, 10:30 to 11.45 a.m.
Topics: Taxes, Inflation, and Investment Decisions
Readings: BKM, Chap. 21
Homework Due: Connect problems for Chapter 8
Group Project Trading ends!

**Week 12**

Date and time: Apr. 11 and Apr. 13, 2016, 10:30 to 11.45 a.m.
Topics: Options Markets and Options Valuation
Readings: BKM, Chap. 15 and Chap. 16
Homework Due: Connect problems for Chap. 21

**Week 13**

Date and time: Apr. 18 and Apr. 20, 2016 10:30 to 11.45 a.m.
Topics: Options Valuation (continued) and Behavioral Finance
Readings: BKM, Chap. 16 and Chap. 9
Homework Due: Connect problems for Chap. 15

**Week 14**

Date and time: Apr. 25 and Apr. 27, 2016 10:30 to 11.45 a.m.
Topics: Group Presentations
Homework Due: Connect problems for Chap. 16

**Week 15**

Date and time: May 2 and May 4, 2016, 10:30 to 11.45 a.m.
Topics: Course wrap-up
Homework Due: Connect problems for Chap. 9

**Week 16**

Date and time: To Be Announced (by the Registrar)
Topics: Final Exam
Scope: Material in all previous sessions

**Group Project**

Details on the project will be handed out in class. It will be a team project (a team of 3 or 4 students). It is recommended that you do not to work alone, 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.
STUDENT RESPONSIBILITIES
Students are expected to be prepared for class, do their homework, and participate in class discussions.

CLASS POLICY
Assignments are due at the beginning of class. Submit all homework via Connect; submit case analyses via Blackboard. Late submissions will be penalized unless the student has obtained permission from the instructor 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>
</tr>
<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>Mid-term Examination</td>
<td>20%</td>
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<tr>
<td>Final Examination</td>
<td>25%</td>
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Homework Grading Criteria
Letter grades are: A, A-, B+, B-, C, or F. These letter grades correspond to the following numerical scores:

<table>
<thead>
<tr>
<th>Letter Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A+</td>
<td>101 – 105%</td>
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<tr>
<td>A</td>
<td>93% - 100%</td>
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<tr>
<td>A-</td>
<td>90% - 93%</td>
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<tr>
<td>B+</td>
<td>87% - 89.99%</td>
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<tr>
<td>B</td>
<td>83% - 87.99%</td>
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<tr>
<td>B-</td>
<td>80% - 82.99%</td>
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<tr>
<td>C</td>
<td>79% - 70%</td>
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<tr>
<td>D</td>
<td>64% - 69.99%</td>
</tr>
<tr>
<td>F</td>
<td>below 64%</td>
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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/)

In your work on all written assignments, keep in mind that 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.

The appropriate version of the School of Business “Recommendations for Honor Code Violations” should be attached.

**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/](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 APA style. Specific instructions for in-text citations and referencing are found in the *Publication Manual of the American Psychological Association*, 6th Edition or at [http://owl.english.purdue.edu/owl/resource/560/01/](http://owl.english.purdue.edu/owl/resource/560/01/).
To help manage the citations and seamlessly create reference lists, Mason supports a free software called Zotero. Please go to [https://www.zotero.org/](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/](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](https://alert.gmu.edu).

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](http://www.gmu.edu/service/cert)