FINANCE 311
Principles of Investment
Fall 2020

Instructor: Jim Hsieh
Office: 111 Enterprise Hall
Phone: (703) 993-1840
E-mail: jhsieh@gmu.edu
Course Website: on Blackboard
Office Hours: By appointment

Class Meetings
Online Asynchronous Lectures

The Course Objectives
This course is an introduction to modern portfolio management and asset valuation. The focus is on institutional investing although the material is also relevant for individuals. The goal is for you to use modern investment strategies and risk-management tools to manage equity and fixed income portfolios. In particular, you will learn the concepts of trading, risk and return, asset allocation, diversification, CAPM, portfolio performance evaluation, and market efficiency.

Learning Goals
Upon successful completion of this course, students will be able to (1) demonstrate, evaluate, and explain the risk return trade-offs in finance, (2) recognize and understand how to address ethical issues in finance including agency problems, and (3) conduct research to support the analysis of a firm or financial project and effectively present their analysis.

Prerequisites
Students are expected to be facile with basic statistics, economics and accounting. Thus, you are required to have successfully completed ECON 103, ACCT 201/203, and OM 210. In addition, since this is an advanced course in finance, you are required to have completed FNAN 303. If students are uncertain as to whether they satisfy the requirement, they should notify the instructor. There are no exceptions to the prerequisite requirements. Taking any of those classes at the same time with this course is not possible.
Course Resources and Supporting Items

Required Textbook

Optional Textbook and Other Resources
- A calculator is *required*. Sometimes, class lectures will involve working through problems. Thus, you should have your calculator ready before class starts.
- A subscription to the *Wall Street Journal* is strongly recommended. Other helpful periodicals include Barron’s, Business Week, and other financial newspapers. During the term, you may be asked to read certain articles in current business periodicals.

Grades
Since this is an advanced course in finance, it inevitably covers more difficult material and concepts than those in FNAN 303. *Students are responsible for putting in sufficient time to study the textbook, course notes, and problems.* I expect this course to be intellectually demanding. 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 sufficient amount of effort.

Your final grade will be based on:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam I</td>
<td>(9/28, Monday) 25%</td>
</tr>
<tr>
<td>Exam II</td>
<td>(11/2, Monday) 30%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>(Comprehensive) 45%</td>
</tr>
<tr>
<td>Project</td>
<td>(Optional) 5%</td>
</tr>
<tr>
<td>Final Grade</td>
<td>105%</td>
</tr>
</tbody>
</table>

The final exam is scheduled on **12/9 (Wednesday)**. Students are not allowed to skip any of the prescheduled exams. One exception is that you present a physician’s statement attesting to illness on the day of the exam or for an extraordinary reason.

Students’ final letter grades for the course are determined based on the following: A: 92.0 or greater, A-: 89.0 – 91.9, B+: 86.0 – 88.9, B: 82.0 – 85.9, B-: 78.0 – 81.9, C+: 74.0 – 77.9, C: 69.0 – 73.9, D: 60.0 – 68.9, F: 59.9 or less.

Homework Problems
I will assign problems for homework. They will not be collected, but part of exams will be taken either directly or slightly modified from them. Thus, it is important that you do homework problems. Just reading and memorizing the answers to the study questions will not prepare you for the exams. You may find their volume too much to handle alone; the best way to proceed is to work in groups.
**Project**
The project will be optional in this semester due to the pandemic and the fact that students are unable to work together as a group. Details on the project will be handed out later. It will be an individual project.

**Other Policies**

**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 (DRC) at (703) 993-2474. All academic accommodations must be arranged through the DRC.

**Academic Misconduct:** It 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 academic misconduct to be reported to the department and the Honor Committee. Please! Don’t even think about it.
Course Outline
Lecture notes and other course materials will be posted on the Blackboard. Please download lecture notes before class. The specified pages are minimum required readings. Students are encouraged to read other pages to gain additional knowledge about the topics.

1. **Introduction and Basic Concepts**
   - Chapter 1: page 2–15.
   - Chapter 4: optional reading*

2. **Probability Background, Capital Markets, and Risk vs. Return**
   - Chapter 5: page 110-114, 116-120, 122-137.

3. **Diversification**
   - Chapter 6: page 145-160.

4. **CAPM and APT**
   - Chapter 7: page 192-200, 202-213.

5. **Portfolio Performance Evaluation**
   - Chapter 18: page 580-584, 586-588, 596-598.

6. **Market Efficiency and Behavioral Finance**
   - Chapter 8: page 224-243.

* Students who are not familiar with mutual funds should read this chapter.