

Applied Fundamental Analysis With Alternative Data

ACCTB8026

Course Description:

Fundamental analysis requires the assembly of information to acquire a firm understanding of a business and its investment value. Accounting information is essential, but not sufficient. It is imperative to go beyond the numbers in financial statements with alternative data and information. Together they forecast the future earnings and cash flows that are the basis for valuation. This course guides the student in acquiring alternative data, extracting insight from it for both macro and micro applications, and combining the data with accounting information to evaluate the fundamental underlying investment value.

In investment analysis, there are many decisions to be made in achieving a fundamental understanding of a company or opportunity. Finding the ground truth regarding a company's positioning, operations, and prospects is not a trivial task. In this course, we will learn to accept that there is no predefined formula to identify, quantify, and project the challenges and opportunities that exist in a complex organization operating in a constantly evolving global environment.

The student will work with real datasets and will benefit from direct advice, experience, and practical insights of portfolio managers, research analysts, and former government officials to derive value from the world of information in front of them.

Modern alternative data resources and techniques will be shared and applied. Students will master the ability to:

- (i) use rigorous thought processes to optimize available information,
- (ii) justify their selection of relevant data,
- (iii) make conscious choices to go deeper or not into the data based on its application,
- (iv) uphold appropriate ethics and identify the consequences of using data that is available, and
- (v) avoid pitfalls of blindly following data when presented with an associated compelling narrative.

The student will leave with the ability to apply the practical macro, micro, and alternative data to their analysis, no matter the variant circumstances requiring their newfound skills.

Session Titles and Overview:

1. Data Discovery: What are data, sourcing data, and the ethics and proper use of data. Know the world of data that exists, independently source data and information, apply data ethically, and don't overstate its use cases.
2. Trends and the Addressable and Obtainable Market: Using data to scope the available opportunity for companies and practically apply findings to unit economics.
3. Macro - Don't Miss The Point: Intro to macroeconomic data, appropriately interpret the data to understand seasonality, build macro viewpoints with alternative data, detect when cyclical and monetary policy issues can outweigh the secular.

4. Making Real-World Data Tangible: Hands-on use credit card spending information and corporate sales data to achieve transparency and answer corporate and consumer questions.
5. Making Real-World Data Tangible: Hands-on use of web scraping that reveals what is obtainable in the public domain.
6. Making Data Practical: Framing, modeling, and applying data in context.

Grade Assessment:

The primary goal of the course is to prepare an independent analysis of a public company using orthogonal real-world inputs to justify assumptions and guide your analytical process. A project demonstrating the use of the skills studied in class, including a company model, will be the core of the final evaluation. A passing grade in the final assessment will be necessary to pass the course.

Participation, individual in-class contributions of quality, and the interactions with me and those industry experts that join the class will represent 20% of the grade. Quantity of participation without quality will provide a negative contribution to the mark.

Assignments and in-class activities that apply the techniques and new information learned during the sessions, through an exercise and a writeup will represent 40% of the grade.

The final assignment consists of a basic model that incorporates the techniques developed in class. It will include a writeup justifying the approach and exploring approaches that the student rejected or discounted will and a 2-minute video pitching the differentiation of your analysis relative to the method used by street analysts and others, accessible through the CBS library/resources. The final assignment must include the submission of the alternative analysis discovered and compared.

Should the student wish to offer their assignments and final projects to a broader audience, the instructor will select several for review by industry experts in investment, consulting, and alternative data.

The Instructor:

Matthew Dell Orfano is a Senior Analyst at Discovery Capital focusing on technology, and special situations, globally. Before joining Discovery in 2012, Mr. Dell Orfano was a Senior Analyst and Partner at Arch Capital Management, a Forbes 400 family investment subsidiary. At Arch, he contributed to managing a global long/short portfolio invested across multiple asset classes. Before his tenure at Arch, Mr. Dell Orfano was an analyst at Pike Capital, a long-biased, special situations fund where he steered research and restructured illiquid public investments predominantly in Asia. He joined Pike from the Citigroup Fixed Income Principal Desk. He led the diligence, valuation, and acquisition of Latin American charged-off receivables; additionally, he engaged in funding consumer finance institutions. Mr. Dell Orfano began his career at Citigroup's investment bank, focusing on esoteric, asset-backed finance. Mr. Dell Orfano serves on the advisory board of Knoema, an alternative data aggregator and analytical tool for corporate and financial services clients. He holds an MBA from Columbia University from which he graduated with distinction and a BA in Economics from the University of Michigan. Mr. Dell Orfano is fluent in French and Spanish.