

Applied Value Investing

Bidding Syllabus Fall 2017

Professor: Anuroop Duggal

Classroom: Uris 328

Scheduled Class Time: Thursday, 4:00-7:15pm

COURSE DESCRIPTION / OBJECTIVES

The objective of this course is to provide a solid foundation in researching, developing, and presenting attractive investment ideas, and to provide insight into the requirements of an analyst at an investment fund. The course will utilize the concepts of valuation and industry/business analysis from other courses and apply them to real-world investments. A number of topics will be covered in the course, including the following:

- 1) Developing an Investment Process
- 2) Understanding Business Models & Unit Economics of a Business
- 3) How to Incorporate Macro Factors in the Analysis
- 4) Evaluating Management Teams & Capital Allocation
- 5) Modeling
- 6) Position Management (margin of error framework, tail risks, sizing, behavior)
- 7) Valuation
- 8) Long & Short Opportunities
- 9) Distressed Credit (dependent upon market environment / timing)
- 10) Applying a Value Investing Framework to Non-Traditional Sectors (natural resources & industrial companies)

The course will involve a combination of lectures, case studies, class discussions, and stock pitches. However, the greatest emphasis will be on learning through case studies (real-time investment ideas), for which class discussion will be a vital part. There will be a significant amount of work to prepare for each class and students are expected to actively participate in the class discussions. Given the small nature of the class, each student's participation is important to maximize the learning of fellow classmates.

As the course progresses, students should increasingly be able to identify and focus on the key drivers of an investment and also get comfortable dealing with imperfect information. By the end of the course students should gain an appreciation for how to develop a solid investment process, improve their ability to frame and present an investment idea, and enhance their understanding of practical considerations when looking at an investment for a buy-side fund.

The classes will be supplemented by guest speakers (fund managers/senior investment professionals) from the investment industry. The objective of the guest speakers will be to expose students to a variety of investment strategies that are based on fundamental analysis.

ASSIGNMENTS

The majority of classes will include a discussion on 1-2 companies/stocks that will be chosen by the instructor. Students will be required to research these companies (maximum one per week for any individual student) and submit their work (1-2 page investment memo & supporting model) at a pre-set time before each class. Students should expect to do ~2-3 pitches in front of the class before the final project. At the beginning of the course, the entire class will be assigned the same company to research. As the course progresses, the class will be divided into two and each half will research a separate company. The companies assigned will cover a variety of sectors, with a number of them related to the natural resources & industrial sectors.

Supplemental reading (maximum 1-2 hours per week) may also be assigned; these readings will be related to a topic to be discussed in class or the company that is assigned in a given week. It is also recommended that the students keep abreast of current affairs (major newspapers, The Economist) in order to have an understanding of key factors influencing the global economy.

The final project will be an individual stock analysis. Students will be required to submit an investment memo and supporting model on a security of their choice. The last two classes will consist of students presenting their final project and facilitating a brief Q&A session on their investment thesis.

METHOD OF EVALUATION

Class Participation	35%
Weekly Assignments	35%
Final Presentation/Investment Write-up	30%

Individual evaluation will be based on the quality and effort put into the weekly assignments, progress over the course of the semester, and contribution to the classroom discussion (a significant number of absences during the course will impact your grade as well as significantly decrease your benefit from the course).

REQUIRED COURSE MATERIAL

REQUIRED PREREQUISITES AND CONNECTION TO THE CORE

Prerequisite: Capital Markets

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

Core Course	Connection with Core
Corporate Finance	<ol style="list-style-type: none"> 1. Cost of Capital 2. Valuation 3. Financing Options 4. Time value of money

	<ol style="list-style-type: none"> 5. Opportunity cost (of capital) 6. The Capital Asset Pricing Model (CAPM) 7. Firm Valuation Model
Financial Accounting	<ol style="list-style-type: none"> 1. The “accounting equation” 2. Revenue and expense recognition 3. Resources and obligations – measurement and disclosure
Global Economic Environment	<ol style="list-style-type: none"> 1. Risk Management 2. What is Gross Domestic Product and how is it measured? 3. What causes inflation? 4. What causes changes in exchange rates? 5. What are the causes of business cycles? 6. What are the effects of monetary policy? 7. What are the effects of fiscal policy? 8. What is the role of financial markets in the economy?
Managerial Economics	<ol style="list-style-type: none"> 1. Barriers to entry 2. Moats 3. Maximization and thinking on the margin 4. Analyzing complex decision-making under uncertainty 5. Decision-based cost analysis 6. Pricing with market power 7. Market segmentation and other advanced pricing strategies 8. Understanding market competition and equilibrium thinking (in the short-run) 9. Market equilibrium thinking (in the long-run) and barriers to entry 10. Strategic interaction among firms and Nash equilibrium
Strategy Formulation	<ol style="list-style-type: none"> 1. Trade-offs, value-added, efficiencies 2. Creation of value vs. value capture 3. Competing firms 4. Co-optition and Complementors 5. Strategic interaction analysis 6. Diversification and scope 7. Ethics & IBS 8. Behavioral and evidence-based strategy 9. Management

Students will be expected to have mastered these concepts and be able to apply them in the course.