

## **OVERVIEW:**

While the course is about investing, it also is to a great extent a study of the elements that make a business great. As a result this class provides a sound intellectual framework to think about business in general, and as such it is equally appropriate for students who will work for a great business, build a great business, or invest.

## **COURSE DETAILS:**

Value Investing is simply the purchase of any asset at a price that is significantly less than its true value. To learn how to do that when investing in common stocks, Warren Buffet has said investment students need to study two things:

- How to value a business.
- How to think about market prices.

Through practical work as business analysts, the students in this class will primarily learn and intensely practice the skills and framework necessary to understand (and therefore value) a business.

The professor has historically found the most value by investing in great (or future great) businesses. As a result, A SIGNIFICANT part of the course will be spent on:

- Detailed study of what makes a great business, and how to identify/build great (or future great) businesses
- Realization that to accomplish anything "great", it is enormously helpful to identify, understand and align yourself with certain "truths" (For example the necessity of a broad understanding of people, group dynamics, the importance of independent thinking, basic probability, basic finance and accounting, EVA, the implications of proper focus, etc.).

## **GROUND RULES:**

My goal is for this class to be an outstanding learning experience for us all. To maximize the probability of that happening, here are some ground rules:

First, as an overview: I believe this is a subject that must be learned, it cannot be taught. Grasping the material simply requires exposure to it (through class and readings), and then really learning it by struggling with it on your own, (through assignments)

As a result, this class has only 2 requirements:

1. **You are expected to make every reasonable effort to attend every class**

(Other school events, i.e The China Trip, etc, are not an excuse to miss class).

2. **You are expected to fully prepare for each class by thoroughly completing each assignment on time.**

***(Assignments take A LOT of time. In addition you will likely get very little (or no) direct feedback on your assignments. PLEASE DO NOT BE SURPRISED BY EITHER OF THOSE THINGS.*** That said, if you take the initiative, you will have almost unlimited ability through email, class questions, and review session (if necessary), to ask me questions to clarify anything you do not understand.)

Without meeting the 2 requirements above this class will have little value. As a result, if you cannot commit to meeting them I ask that you do not take this course.

You can expect me to also make every reasonable effort to attend class, and to come to each class fully prepared to make it an outstanding and fun learning experience.

## **GRADES**

Your final grade will primarily be derived from your written assignments. There will be an assignment for each class. If you complete every assignment, and dedicate the time required to grasp the subject as evidenced by the thoroughness and thoughtfulness of each assignment, you will likely get a grade of at least HP in the course.

## **BOOKS:**

**THE INTELLIGENT INVESTOR** (revised edition updated with new commentary by JASON ZWEIG), by BENJAMIN GRAHAM (paperback)

**THE ESSAYS OF WARREN BUFFETT- LESSONS FOR CORPORATE AMERICA.** (essays by WARREN e. BUFFETT). selected/arranged/introduced by LAWRENCE A CUNNINGHAM. 3rd edition.

**GOOD TO GREAT.** By JIM COLLINS

**COMMON STOCKS AND UNCOMMON PROFITS.** BY PHILIP A. FISHER

**POOR CHARLIE'S ALMANACK. THE WIT AND WISDOM OF CHARLES T MUNGER.** Foreword by WARREN E. BUFFETT. Edited by PETER D. KAUFMAN. Published by the donning company publishers.

**THE OUTSIDERS: EIGHT UNCONVENTIONAL CEO's and THEIR RADICALLY RATIONAL BLUEPRINT for SUCCESS.** By WILLIAM N. THORNDIKE, Jr.

### **ARTICLES:**

BARRON'S. February 25, 1985. pg 6. **"THE RIGHT STUFF. WHY WALTER SCHLOSS IS SUCH A GREAT INVESTOR."**

FORBES. AUGUST 6, 1979. pg 25. **"YOU PAY A VERY HIGH PRICE IN THE STOCK MARKET FOR A CHEERY CONSENSUS"**

**OUTSTANDING INVESTOR DIGEST.** JUNE 30, 1993. pgs 1, 23 through 41

### **REQUIRED READINGS:**

*(note on readings. These readings will give a good overview. We will be applying the concepts from these books right from the beginning of class so my suggestion is that you read all the material as soon as you can. I suggest you read them in the following order.)*

- THE ESSAYS OF WARREN BUFFETT- LESSONS FOR CORPORATE AMERICA. READ THE ENTIRE BOOK. Reread chapter II section A--Mr. Market.
- THE INTELLIGENT INVESTOR. CHAPTER 20, POSTSCRIPT and COMMENTARIES FOLLOWING EACH. ALSO APPENDIX 1 "THE SUPER INVESTORS OF GRAHAM AND DODDSVILLE.
- COMMON STOCKS AND UNCOMMON PROFITS. Entire book. Just get the main concepts.
- ALL THE ARTICLES LISTED ABOVE
- POOR CHARLIE'S ALMANACK. THE WIT AND WISDOM OF CHARLES T MUNGER. pgs 150 to 201 ("a lesson in elementary worldly wisdom as it relates to the investment business") and pages 390 to 446 ("the psychology of human misjudgment) (note --- the page numbers for these 2 essays may have changed in later editions)
- GOOD TO GREAT. Entire book. Just get the main concepts
- THE OUTSIDERS. Entire book.

### **SUGGESTED READINGS:**

**MONEYBALL: THE ART OF WINNING AN UNFAIR GAME** by MICHAEL LEWIS

**BUILT FROM SCRATCH** by BERNIE MARCUS, ARTHUR BLANK, BOB ANDELMAN

All other articles in the course page on Angel, and all other chapters in the books above.