

## Applied Securities Analysis

Spring 2021- **BIDDING SYLLABUS** Professors:

Anuroop Duggal [ad3415@columbia.edu](mailto:ad3415@columbia.edu) and Michael Herman [mh3425@columbia.edu](mailto:mh3425@columbia.edu)

Classroom: Online

Scheduled Class Time: Thursdays, 3:50 -7:05pm

TAs:

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### COURSE DESCRIPTION / OBJECTIVES

This course builds on prior core and elective classes, including Security Analysis, with an emphasis on practical application. Students will work in teams to find an appropriate investment idea, conduct in-depth analysis on the company / industry (including primary research), develop a compelling investment presentation, and deliver a pitch to a “portfolio manager.”

The class culminates with The Pershing Square Value Investing and Philanthropy Challenge. This competition, began in 2007, is offered to MBA students to signal the commitment of both Columbia Business School and Pershing Square to produce talented and knowledgeable graduates who are ready to take on leadership roles in both investing and philanthropy. Winning teams will receive a cash prize with the intent that a percentage of those winnings to be donated to a charity of their choice.

All student teams will pitch their ideas to investment professionals three times during the class. Feedback will be provided on the strength of the idea and the areas of further research required. The last segment of the class will include presentation skills, simulating the job of the analyst to convince a portfolio manager of the worthiness of an idea.

The class lectures / discussions will provide tools and frameworks (management incentives, unit economics, etc.) to the students to help build their pitches. 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.

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.

**ASSIGNMENTS**

The final project / pitch in preparation for the Pershing Square Challenge will be the main assignment. Students are expected to work on their case study throughout the semester in order to build a pitch that is the equivalent to what an analyst at an investment fund would put together.

There will be minor assignments along with supplemental readings (maximum 3-4 hours per week) assigned each week; these assignments / readings will be related to a topic to be discussed in class. It is also recommended that the students keep abreast of current affairs (major newspapers, The Economist) to have an understanding of key factors influencing the global economy.

**METHOD OF EVALUATION**

Class Participation	35%
Final Investment Pitch (Written / Oral)	45%
Weekly Assignments / Milestones	20%

Individual evaluation will be based on the quality and effort put into the final pitch / 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:

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

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

**CLASSROOM NORMS AND EXPECTATIONS**

Students are expected to adhere to CBS Core Culture in this class by being Present, Prepared, and Participating.

**ATTENDANCE POLICY**

Students are required to attend each class. Given class participation is a critical component of the course / grade, significant absences will affect your course grade.

**INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS**

At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

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