

Security Analysis

Bidding Syllabus Fall 2019- content is subject to change

PROFESSOR NAME

Office Phone:

E-mail:

Office Hours: By Appointment

Class Room:

Communications from professor and teaching assistants about the course will take place through Canvas.
Students should make sure they regularly check for announcements and messaging notifications.

COURSE DESCRIPTION

The course's objective is to present a rational investment philosophy and process for equity security analysis and capital allocation. The course has three sections:

Multidisciplinary Thinking

- How can we learn from how the world works?
- How can we apply our learnings to form a differentiated view?
- Main sources of multidisciplinary learnings

Investment Philosophy and Capital Markets

- What is the objective of security analysis and investing?
- Why does a value-based methodology win over time?
- What is more instructive for investment analysis – determining value or expected return?
- What is the difference between “cheap” and “mis-priced”?

Investment Process – Valuation and Competitive Strategy

- What is the difference between a great business, a good business and a bad business?
- How can we evaluate when a business and/or an industry's mid-long term economics change?
- How can we evaluate company specific structural mis-pricings that exist?
- How can we categorize investment opportunities to improve how we value and define them?
- How can we define a process to source mis-pricings into investment categories?
- What are the commonly used valuation methodologies and which are most instructive for certain situations?
- What is the most effective framework for modeling a business and what are the pitfalls?

- How can we evaluate management's history of capital allocation? How important is it and how do we factor this into valuation?

The curriculum will seek to answer these questions by first reviewing investing principals and concepts. Thereafter we will bring in company executives and investment practitioners to provide real world evidence of these principles in action and allow for students to participate in a thoughtful, factual dialogue.

Course Structure:

50% - lecture – professor, company executives, and practitioners - portfolio manager/analysts

20% - student presentations

30% - student interaction

CONNECTION TO THE CORE

- *Corporate Finance: How valuation methods differ and how to utilize*
- *Strategic Formulation: Competitive analysis*

COURSE ROADMAP/SCHEDULE

Grades for the course will be based on the following factors

1. Group Investment Thesis. Length of report should be 8 – 12 pages, excluding exhibits. We will discuss the format and content of the report in more detail in class. These reports are done on a group basis, although a mechanism will be in place to assure that contributions are equal among members. This report will be worked on in individual segments throughout the course. Individual segments will typically be due one week from assignment, although longer assignments can be given more time. **(30%)**
2. Presentation of Group Investment Thesis. Everyone will be required to participate in the presentation. **(20%)**
3. Competitive Strategy and Industry Analysis Reports. This investment process section of the class will be broken out into three parts (compounders, transformations, and workouts) and each student will be responsible for a two page (maximum) identifying various companies/businesses that fit the assignment criteria. These will typically be listing ten businesses and a brief description as to why the company fits the criteria. These will be due 1 week after completion of class discussions on each category. Students should be prepared to discuss the merits of selections with the class. **(25%)**
4. Class Participation. All aspects of the course—including the initial lectures—are intended to be interactive. Students are encouraged to challenge, disagree, and pose alternate views. Further, attendance will be taken every class, with the cumulative attendance record contributing to a class participation grade. Required readings will be discussed and students might be asked about assigned reading during classes where material is being discussed. **(25%)**

	Topic(s)	Pre-Readings	Assignments Due
1	Chris: Introduction, Multidisciplinary Learning, Velocity Framework, Reasoning. Gravity	Twin Lights Investment Letter Buffett Partnership Letters Intelligent Investor – Graham, Chapter 8 & 20	Assign Teams
2	Guest Speaker: Chris Fussell, Aide-de-Camp General McChrystal Chris: Platforms V Pipelines/Network Revolution/Wheel of Fortune. WZ	<i>One Mission</i> , Chris Fussell <i>Platform Revolution, Seventh Sense</i> , Joshua Cooper Ramo	Vector (Entropy). What is your business solving for? Assignment Type: Group A Reversibility List Assignment Type: Individual B ¹ Assign Evidence. Due in 2 weeks Assignment Type: Group A
3	Guest Speaker: Todd Combs, Berkshire Hathaway. Special Class, Tuesday at 3PM in Warren 311 Chris: Twin Lights. EM	<i>Good to Great</i> , Jim Collins <i>Competition Demystified</i> , Greenwald	Identify 3 Businesses: Pipeline+, Pipeline-, Platform Assignment Type: Individual B ¹ Evidence. Due Next Week Assignment Type: Group A
4	Guest Speaker: Dennis Hong, Founder ShawSpring Partners. JD.com Chris: Compounders. Strong	<i>The JD.com Story</i>	Evidence: Unit Economics of your Company (Two Weeks), Channel Checks, Model Assignment Type: Group, A
5	Guest Speakers: Simeon Wallis, Guardian Fueling Technologies. Victor and Eric Mendelson, Co-Presidents of HEICO Lei Zhang, Founder Hillhouse Capital Management	HEICO Annual Report	Leap: Categorize your Investment, Pattern Recognition Assignment Type: Group, A Compounders Report (SES, NEC, Pipeline, Platform) Assignment Type: Individual B ¹
6	Guest Speakers: Pat Dorsey, Founder Dorsey Asset Management. Moats and Capital Allocation Chris: Transformations. Essence, H ⁰	<i>The Little Book That Builds Wealth</i> <i>The Outsiders</i> ,	Blindspots and Compounding: The Twin Lights Assignment Type: Group, A
7	Guest Speakers: Peter Kaufman, CEO Glenair. Special Class, Monday at 4PM in Warren 207		Transformation Report Assignment Type: Individual B ¹ Assign IRR. Due in 2 weeks Assignment Type: Group A
8	Guest Speakers: Laura Taylor Wolfe, Blue Harbor Group. Anna Mullen, Select Equity. Liz Barney, Berkshire Hathaway Chris: Workouts		IRR. Due Next Week Assignment Type: Group A

<p>9</p>	<p>Guest Speakers: Brad Gerstner, Founder Altimeter Capital. <i>Special Class, Google Campus 10AM – 4PM. Will be broadcast back to campus, Brad will be speaking starting at 5:45PM EST</i></p>	<p>Research Priceline and travel companies</p>	<p>Workout Report Assignment Type: Individual B¹</p> <p>IRR Due Assignment Type: Group A</p> <p>Begin working on Group presentations Assignment Type: Group, A</p>
<p>10</p>	<p>Special Class at Glenair with Peter Kaufman</p>		<p>Work on Group Presentations, first group due next week Assignment Type: Group, A</p>
<p>11</p>	<p>Guest Speakers: Josh Waitzkin, <i>The Art of Learning</i></p> <p>Group Presentations (10-15 minutes each)</p>	<p><i>The Art of Learning</i>, Josh Waitzkin</p>	<p>Work on Group Presentations, second group due next week Assignment Type: Group, A</p>
<p>12</p>	<p>Guest Speakers: Seth Alexander, MIT Endowment Office</p> <p>Group Presentations (10-15 minutes each)</p>		
<p>13</p>	<p>Guest Speakers: Howard Marks, Oaktree Capital.</p> <p>Carlos Brito, Anheuser-Busch</p>		
<p>14</p>	<p>Tentative Guest Speaker: Glenn Fogel, CEO of Priceline</p>		

ASSIGNMENTS

Be clear about your expectations regarding deliverables: their dues dates, format, etc. Designate the type for each assignment (A - group, B1/B2 - group/individual, or C - individual).

All of your assignment submissions are subject to the [CBS Honor Code](#). Violations of the CBS Honor Code may lead to failing the assignment, failing the course, suspension, and/or dismissal. In order to avoid ambiguity that may lead to unintentional violations of the Honor Code, assignment description types have been standardized and specified below.

Type	Designation	Grade	Preparation of submission	Discussion of Submission*	Discussion of Concepts**
A	Group Work	Same grade for all group members	By the group	Permitted to discuss (within group)	Permitted
B ¹	Individual w/ Discussions of Concepts and Submission	Individual grade	Individual preparation	Permitted to discuss; sharing solutions or submission files is not allowed	Permitted
B ²	Individual w/ Discussions of Concepts Only	Individual grade	Individual preparation	Not permitted to share/discuss solutions or submission	Permitted
C	Individual	Individual grade	Individual preparation	Not permitted to share/discuss solutions or submission	Not permitted***

* The designated group can be either an assigned study group or a self-selected one.

ATTENDANCE POLICY

Students are required to attend each class. Students should reach out to the [Office of Student Affairs \(OSA\)](#) by using Core Absence Form on this course's Canvas page regarding excused absences (for religious observances; personal, medical, and family emergencies; military service; court appearances such as jury duty). Unexcused absences will affect your course grade.

NOTE: The following is applicable for Core Courses:

- Students that miss more than **33%** of their classes (unexcused absences) will at most receive a **P for the course grade**
- Students that miss more than **50%** of their classes (unexcused absences) will receive a **F for the course grade**

NOTE: The following is applicable for Core Courses and for any electives with OSA-administered exams:

- Students that miss the exam for an **excused** reason but are unable to take the exam within the stated make-up period will receive a **zero for the final exam grade**
- Students that miss the exam without notifying OSA (**unexcused**), will receive an **F for the 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.

Columbia Business School will make reasonable accommodations for persons with documented disabilities. Students are encouraged to contact the Columbia University's Office of Disability Services for information about registration. Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University's Office of Disability Services online at www.health.columbia.edu/docs/services/ods/index.html or by contacting (212) 854-2388.

Columbia Business School is committed to maintaining a safe environment for students, staff and faculty. Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator. They will treat this information as private, but will need to follow up with you and possibly look into the matter. Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. "Gender-based misconduct" includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment. For more information, see <http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students>.