Advanced Investment Research is an in-depth financial investigative research and decision making class. It uses the AREA Method, a research and decision making system that controls for cognitive bias, focuses on the incentives of others and expands knowledge while improving judgement. Students will learn to focus not only on a quantitative and qualitative research to gather evidence to vet assumptions but also, and importantly, to focus on human behavior. In addition, students will learn investigative journalism techniques and creative exercises to evaluate evidence while being mindful of mental shortcuts. Thus the course focuses not only on good process but also, and importantly, on good thinking.

Learning outcomes:

**Course goals**

1. Learn to conduct financial investigations and investment analysis using the AREA Method.
2. Learn to control for and counteract cognitive bias.
3. Design clear, concise and cogent thesis statements
4. Design logical and compelling financial narratives for written and oral presentation.
5. Develop skills in facilitation
6. Identify the characteristics and elements of an inclusive, positive, engaging and empowering classroom environment

Class Structure:

1. Discussion of HW
2. Presentations/Group Work
3. Speakers

Expectations:

- Computers / Wi-Fi will remain off during class unless otherwise specified
- HW Due Mon midnight each week:
  - Submit as a Microsoft Word document.
  - Use 14 font size.
  - Number your pages.
  - Put your name and your company name on all pages.
- Attendance is required for all classes
- Thoughtful, engaged participation in our class work, our homework and with our speakers that contribute to a positive learning environment and class culture
METHOD OF EVALUATION

- In class: Being prepared for class with completed assigned material and consistent, thoughtful, cooperative and respectful class participation: 40%
- Homework: Thoughtfully completed and on-time HW assignments: 30%
- Final Exam: 30%

HW before class begins: Pre Class Assigned Reading

Read the assigned books and handout listed below and write a one page summary or bullet point list for each reading to answer the below questions:

1. What were the main points/takeaways for you?
2. How can you apply the lessons learned in this class?

Books:
1. Behavioral Psychology: Influence, Robert Cialdini
2. Learning: Art of Learning, Josh Waitzkin

Due before class begins. The time stamp is meaningful.

This syllabus is subject to changes
Class 1 (January 25): What is VAR?

What is VAR? And how will we achieve it? The AREA Method

Part 1: The learning environment and keys to success in this course: An outline of expectations for participation, interaction, assignments and reflections

Part 2: Book summaries
Discussion of cognitive shortcuts and Cheetah-like pauses

Part 3: The roadmap and the assigned readings:
Introduction to the AREA Method
Two examples of the AREA Method in action

Part 4: Case Study

Part 5: Your companies

Guest Speaker: Peter Lawrence

Learning Objective: The AREA Method

HW From Class 1: Understanding what your company does

REMINDER: HOMEWORKS ARE DUE MONDAY NIGHTS AT MIDNIGHT. THE TIME STAMP IS MEANINGFUL. USE TYPE FONT 14. PLEASE SUBMIT HW IN MICROSOFT WORD SO THAT I MAY PROVIDE FEEDBACK FOR YOUR WORK

1. Readings: AREA = A Absolute Pages 71-97 up to the subhead: Your Absolute Target’s History. Please make sure to complete the readings before following the directions for the homework so you know your roadmap. Then follow all directions in the text and bring to every class your AREA Journal, thesis statements and questions about your company as the readings direct. Be prepared to discuss your answers in class.

2. Read 10K: Write a one pager that includes:
   a. What does your company do? How?
   b. What is the story from the numbers?
   c. How does the co explain the numbers?

3. Company website information (addressed in Investing In Financial Research: Absolute: beginning on page 94) Consider how the website conveys the company’s information differently than the 10k. Write one page that highlights how the information contrasts. Be specific.

4. Prepare questions for our speaker

5. Write a brief reflection of our Learning Objective from the first class. Write your goals for the class. Write a few suggestions for what skills or contributions you can bring to make positive contributions to the class learning environment. These may be written up in bullet points or prose.
Class 2 (February 1): Business models and Numerical “Stories”

Part 1: Reflective assignment: Co-facilitator 1: AREA Method and Numerical Stories

Part 2: Company presentations: Story from the numbers & 10K

Part 3: Case Study: Discussion of business models and reconciling accounting and economic reality:

Speakers: Peter Lawrence, Albert Luk

Learning Objectives:
- What does your company do and how does it do it?
- An ability to “read” numbers
- Finding the management thesis statements in the MD&A
- An appreciation for the relationship between a business' quality and its investment returns

HW from Class 2: Understanding Financial Models

1. Read most recent 10Q
2. AREA Book readings Pages 98-121
   For Press Releases:
   a. Write one page answering the questions about what you learned about how your company uses press releases? Overlay major press releases dates onto a two year stock chart of your company. Do press releases coincide with changes in share price performance? What do your findings suggest?
   b. Answer: How does the press release narrative compare to the narrative you've developed by only reading company documents? If the story diverges, write about why you think it might. Note at times press releases break out data differently than SEC filings, in part because the regulatory standard is different.
3. Build a simple financial model: Lay out historical financials and tie it to the company’s operations to see how changes in operations impact financial results. Write one-pager outlining what you learned about where your company is financially sensitive to guide your in-class presentation.
4. Reflection on learning objective and outcomes from Class 2
5. Prepare questions for our speaker: Albert Luk
Class 3 (February 8): Financial Models, Press Releases & Websites

Part 1: Reflective assignment: Co-facilitator 2
Discussion of readings
Discussion and presentations of Financial Models

Part 2: Discussion of forward-facing information versus investor information:
Incentives and alignment with audience
Presentations of websites material and press release findings

Speaker: TBD

Learning Objective: Thinking about points of leverage and vulnerability in your company’s operations

HW from Class 3: Company History, Management, Share Price Performance, Shareholders, The Absolute Thesis
1. From your prior week’s readings: History of the company, management, share price performance, shareholders, Absolute thesis statement, Answer all questions in text in written form and be prepared to discuss in class.
2. Prepare up to 2 pages about your company’s history, management and board of directors.
3. Read the proxy
4. Learn about your company’s shareholders. Answer the following questions in your Edge Journal and email in a copy, bring a copy to class and prepare to discuss.
   a. What kinds of investors does your company have? (EX style: Growth, Value, Index, etc Purpose: mutual funds, pension fund, hedge funds etc)
   b. Write up to one page on what you might take away from the ownership structure of the investors?
   c. What does this tell you about how investors think the company may perform and how long term the investors might own the shares?
   d. Do top holders seem like long/short term investors and how may it impact share stability? How might you tell?
5. Thesis statement from AREA A=Absolute
6. Make a list of current CCs and address in written form whether/how they differ from your AREA A=Absolute research and why?
7. Reflection on learning objective from Class 3 and key insights from speaker
8. Questions for our speaker
Class 4 (February 15): Management, Share Price Performance, Shareholders & The Absolute Thesis

Part 1: Co-Facilitation and reflection
Presentations of company histories, management and boards of directors

Part 2: Discussion of shareholders
Presentations of company ownership

Part 3: Thesis statements from AREA A=Absolute and Critical Concepts

Part 4: Discussion for expectations of literature reviews and earnings calls

Speaker: Jon Arkin, Rivulet Capital

Learning Objective: The Relationship Between Perception And Reality

HW from Class 4: Literature Reviews, Earnings Calls

1. AREA Readings: Relative 121-162, answer all questions in written form and be prepared to discuss in class.
2. Literature Reviews: Bring list to class
3. Listen to earnings calls and questions and as always answer the questions from the text
4. Reflection on class objectives and key insights on the speaker.
5. Questions for our speaker

Class 5 (February 22): Literature Reviews, earnings calls and industry mapping

Part 1: Reflective assignment: Co-facilitator 3
Discussion of the readings

Part 2: Discussion of literature reviews and earnings calls, and presentations

Part 3: Discussion of industry maps

Guest Speaker: TBD

Learning Objective: How narratives change with perspective
HW From Class 5:

1. AREA: From last week’s reading: Industry Mapping: Create an industry map: Prepare a 3 minute presentation
2. AREA Reading: Finish AREA-R Relative: Pg 162- 173.
3. Craft a thesis statement from AREA R=Relative and be prepared to discuss it with the class. Update CC’s. If the thesis and updated CC’s diverge write out why they do and what next steps you need to investigate.
4. AREA Reading: Exploration: 173-220: Follow all directions and be prepared to discuss in class.
5. Make a source list, combining it with sources identified form your literature review and industry map and value the sources. Explain how you arrived at your valuations.
6. Write out your call pitch and bring to class to discuss
7. Reflective assignment on class learning Objective and key insights from our speaker
8. Prepare questions for our speaker

Class 6 (March 1): Industry Mapping, Area R Thesis Statements, Introduction to Developing Sources and Interviewing

Part 1: Reflective assignment: Co-facilitator 5

Part 2: Industry mapping
Presentations on industry maps

Part 3: Thesis statements from AREA R=Relative and Critical Concepts
Presentations of AREA=R Thesis statements & CCs

Part 4: Discussion of the art of the question, call scripts and sourcing
Rules about non-public information
Presentations of questions and call scripts

Part 5: Discussion of Interview Guides

Speaker: Neil Nathani, Totem Point Management

Learning Objectives: Industry Mapping
The Interview Formula GP+GQ = IQ
HW from Class 6:

1. AREA Readings: Finish Exploration: Pages 220-230, answer all questions in written form and be prepared to discuss in class.
2. Complete 5 interviews. Write up your notes.
3. AREA E Thesis Statements and update critical concepts. If they diverge, write out why. Make a list of next investigative steps.
4. Prepare a three minute presentation of where you are now that you’ve collected Absolute, Relative and Exploration research.
5. Prepare questions for our guest speaker.

VACATION MARCH 8 & 15

Class 7 (March 22): Interviews & Mid-Way Presentations

Part 1: Reflective assignment: Co-facilitator 5
   Discussion of interviewing
   Presentations of interview findings

Part 2: AREA Exploration Thesis Statements
   Mid-way presentations

Part 3: AREA=Exploitation and Bull/Bear exercise preview

Speaker: Jesse Eisenger, Pro Publica

Learning Objective: Understanding Investigative Journalism Techniques
HW from Class 7:

1. Summarize feedback you received from Mid-Way presentations in bullet point form and respond to it
2. AREA Reading: Exploitation pages 231-248 stop at the subhead for Competing Alternative Hypothesis. Follow all directions and be prepared to discuss in class.
3. Bull: Pro/Bear: Con Analysis:
4. Continue Exploration Interviews
5. Reflection on our learning objective and key insights from speaker.
6. Prepare questions for our speaker

Class 8 (March 29): Bull/Bear Thesis Statements

Part 1: Reflective assignment: Co-facilitator 6
   Discuss feedback from mid-way presentations

Part 2: Discussion Exploitation
   Presentations: Bull/Bear

Part 3: Competing Alternative Hypothesis Preview

Learning Objective: Assessing Problems and Pitfalls in Our Thinking

Speaker: Paul Johnson, Nicusa Investment Advisors

HW from class 8:

1. AREA Readings: Exploitation pages 248-257, answer all questions in written form and be prepared to discuss in class.
2. Craft a Competing Alternative Hypotheses matrix and analyze it as the reading directs
3. Revise and respond to Bull/Bear feedback and be prepared to discuss
4. Continue VAR / Exploration Interviews
5. Reflection on our Learning Objective, key insights form speaker.
6. Prepare questions for speaker
Class 9 (April 5): Competing Alternative Hypotheses

Part 1: Reflective assignment: Co-facilitator 7

Part 2: Discussion of CAH
   CAH Presentations

Part 3: Rethinking Bull/Bear

Part 4: Visual Map Preview

Speaker: TBD

Learning Objective: Competing Alternative Hypotheses

HW from class 9:

1. AREA Readings: Exploitation: Finish the chapter pages 258-292, follow all directions and be prepared to discuss in class
2. Create a Visual Map
3. Scenario Analysis, Update Financial Model
4. Continue Exploration Interviews
5. Reflection from Learning Objective. Key insights from speaker.
6. Prepare questions for guest speaker

Class 10 (April 12): Visual Mapping, Scenario Analysis, Plots & Ploys

Part 1: Reflective assignment: Co-facilitator 8

Part 2: Discussion of different ways to present data in story form
   Presentations: Visual Maps

Part 3: Revisiting Plots & Ploys, Scenario Analysis & Financial Models

Part 4: Crystallizing an Investment Narrative

Speaker: Invited Jim Carruthers, Third Point

Learning Objective: Visual Mapping & Pictorial Data Display

HW from class 10:

1. AREA Readings: Analysis: Pages 293-318. Follow all directions and be prepared to discuss in class
2. AREA Analysis Thesis Statement and update CC's
3. Write up a brief memo about interviews conducted since the end of break and prepare to discuss.
4. Bring all thesis statements to class.
5. Craft a two page write up of your company’s investment story. You may have up to 3 pages of supporting material.
6. Reflection on our Learning Objective. Key insights form speaker. Bring copies of all reflections to class. Be prepared to discuss.

------------------------ (TDB, 2015): Student Conferences ------------------------

PLEASE SIGN UP TO MEET WITH THE PROFESSORS

Class 11 (April 19): Final Practice

Part 1: Reflective assignment: Co-facilitator 9

Part 2: Update of Interviews

Part 3: Discussion of readings

Part 4: The AREA Method final discussion

Part 5: Preparation for the final.

Guest Speakers: Ariel Warszawski & Ryan Heslop, Firefly

Learning Objective: A Clear, Concise and Cogent Written & Oral Investment Story

HW from class 12

1. AREA Readings: Finish the book! Untangling Your Plate of Spaghetti: Pages 318-323
2. Refine your final narrative and your 3 pages of supporting documentation for the final exam.

Class 12: (April 26): FINAL EXAM

Judges: Cameron Courson, Falcon Edge Capital, Peter Lawrence, Arlington Value Capital

Cheryl Strauss Einhorn  Columbia Business School
INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS

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