Applied Value Investing (B8373-2)

Fall 2015

MARK UNFERTH
Office Phone: 212-854-1933 (Heilbrunn Center)
Fax: 212-851-9509 (Heilbrunn Center)
E-mail: [tbd]@gsb.columbia.edu

ERIC YIP
Office Phone: 212-854-1933 (Heilbrunn Center)
Fax: 212-851-9509 (Heilbrunn Center)
E-mail: [tbd]@gsb.columbia.edu

Monday, 5:45 PM to 9:00 PM
Room Location: Alder Hill Management LP, 1330 Ave of the Americas, 11th Floor, NY NY 10019
Course Enrollment: 10

REQUIRED COURSE MATERIAL

Required reading prior to the term includes:

- The Intelligent Investor – Benjamin Graham
- Value Investing – James Montier
- The Essays of Warren Buffett – Warren Buffett and Lawrence Cunningham

Required reading throughout the term includes:

1. The Wall Street Journal
2. Financial Times
3. Barrons
4. SEC filings related to companies we are studying, company call transcripts and other available data
5. There will be other articles assigned related to speakers or topics of interest as the semester progresses.
**There are no good textbooks for this course. We assume because you are in an advanced security analysis class / AVI program at Columbia you have read at least parts of the following books:

Greenwald et al, *Graham and Dodd’s Security Analysis, Sixth Addition* OR
Cottle, Murray, and Block, *Graham and Dodd’s Security Analysis, Fifth Addition*
Greenwald and Kahn, *Competition Demystified, A Radically Simplified Approach to Business Strategy*

*Security Analysis* is a must read for anyone interested in value investing.

“In my whole life, I have known no wise people (over a broad subject matter area) who didn’t read all the time — none, zero.” Charlie Munger.
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:

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Accounting</td>
<td>1. The “accounting equation”&lt;br&gt;2. Revenue and expense recognition&lt;br&gt;3. Resources and obligations – measurement and disclosure</td>
</tr>
</tbody>
</table>

Students will be expected to have mastered these concepts and be able to apply them in the course.
You will find direct links in your study of micro and macro economics, accounting, strategy, corporate finance, and all other investing courses to this class.

**COURSE DESCRIPTION & OBJECTIVES**

This course combines the methods and teachings of security analysis with a practical buy-side framework and tool-kit to identify and research value investments. We will build upon the foundation of core CBS courses in corporate finance, accounting, strategy and economics. Emphasis will first be placed on developing a sound and repeatable investment process that is applicable to all parts of the capital structure and across many sectors and industries. Sample topics of discussion will include idea generation, information gathering, valuation, corporate governance, process risk, defining risk-reward, and thesis challenge. We will then examine strategies – activism, event-driven, distressed, deep value – where a fundamental, bottom-up, value investing approach can yield target returns while also preserving capital. Throughout the course, students will prepare and present several investments that apply the value investing framework in a variety of the aforementioned strategies. There will also be guest lecturers from the investment community. The class will be kept small to take advantage of the instructional method. You will finish the course with a broad knowledge of applying value investing principles to a variety of investment opportunities.

**CLASS SCHEDULE**

Monday, August 31, Class 1: course overview & requirements, research process part I, applicable investment strategies, individual assignments (guest speaker)
Monday, September 14th, Class 2: research process II, benchmarking via individual idea pitch & critique
Monday, September 21st, Class 3: assignment to groups, deep-value equity (guest speaker)
Monday, September 28th, Class 4: group presentations on deep-value equity
Monday, October 5th, Class 5: re-assignment to groups, distressed debt (guest speaker)
Monday, October 12th, Class 6: group presentations on distressed debt idea
Monday, October 26th, Class 7: research process III, event-driven equities (guest speaker)
Monday, November 9th, Class 8: group presentation & discussion on event-driven equity idea
Monday, November 16th, Class 9: activism (guest speaker)
Monday, November 23th, Class 10: group presentation & discussion on activist idea
Monday, November 30th, Class 11: Final review and preparation for final
Wednesday, December 7th, Class 12: Final presentation - individual

**METHOD OF EVALUATION**

- Class Participation – quantity and more importantly quality, quizzes 33%
- Write-ups & Presentations 33%
- Final write-up and presentation 33%
Grades will reflect knowledge and application of the course material and communication skills. This course is intended to be interactive and class participation will be crucial to the success of this class.

CLASSROOM NORMS AND EXPECTATIONS

Class Participation:
- Preparation, Discussion, Organization

Must attend be on time and attend EVERY class. There are no excused absences.

No internet connectivity allowed during class – first offense will result in removal from class

Final Company Pitch:
Students will be assigned a single company to research, model, and prepare a detailed pitch for final submission and presentation.

Guest Speakers:
This course will involve several buy-side guest lectures; class participation will be crucial to the success of the course.

OFFICE HOURS
- TBA