Mental Models

Fall 2015

**Below information is subject to change**

ETHAN BINDER and JEFF CINO
Professor Office Location: Slate Path Capital
Office Phone: 212-854-1933 (Heilbrunn Center)
Fax: 212-851-9509 (Heilbrunn Center)
Class location: Slate Path Capital

REQUIRED COURSE MATERIAL

Books
Psychology of Intelligence Analysis by Richard Heuer
Talent is Overrated by Geoff Colvin
The Outsiders by Will Thorndike

Articles
Scientific American: The Expert Mind
NY Times: Genius – The Modern View
TIME: The Science of Experience

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>Corporate Finance</td>
<td>1. Cost of Capital</td>
</tr>
<tr>
<td></td>
<td>2. Valuation</td>
</tr>
<tr>
<td></td>
<td>3. Time value of money</td>
</tr>
<tr>
<td>Financial Accounting</td>
<td>1. The “accounting equation”</td>
</tr>
<tr>
<td></td>
<td>2. Revenue and expense recognition</td>
</tr>
<tr>
<td></td>
<td>3. Resources and obligations – measurement and disclosure</td>
</tr>
<tr>
<td>Global Economic Environment</td>
<td>1. Risk Management</td>
</tr>
<tr>
<td></td>
<td>2. What is Gross Domestic Product and how is it measured?</td>
</tr>
</tbody>
</table>
3. What causes inflation?
4. What causes changes in exchange rates?
5. What are the causes of business cycles?
6. What are the effects of monetary policy?
7. What are the effects of fiscal policy?
8. What is the role of financial markets in the economy?

Managerial Economics

1. Barriers to entry
2. Moats
3. Maximization and thinking on the margin
4. Analyzing complex decision-making under uncertainty
5. Decision-based cost analysis
6. Pricing with market power
7. Market segmentation and other advanced pricing strategies
8. Understanding market competition and equilibrium thinking (in the short-run)
9. Market equilibrium thinking (in the long-run) and barriers to entry
10. Strategic interaction among firms and Nash equilibrium

Strategy Formulation

1. Trade-offs, value-added, efficiencies
2. Creation of value vs. value capture
3. Competing firms
4. Co-optition and Complementors
5. Strategic interaction analysis
6. Diversification and scope
7. Behavioral and evidence-based strategy
8. Management

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

COURSE DESCRIPTION & OBJECTIVES

This course will help students learn the process of performing investment case studies. Investors use case studies to build a library of mental models and real-world analogies to facilitate pattern recognition in order to make superior investment decisions, refine search filters, identify key investment factors, assess how investments are likely to play out, develop and monetize their circle of competence, and to understand the life cycle of investments and where we stand today in that cycle. This class is complementary to the Value Investing Program.

Please note that this course was open to Value Investing applicants only, and is not biddable. The roster has been set and the course is now closed.

METHOD OF EVALUATION

| Participation/Weekly Pitches (Individual) | 30% |
| Case Study, Framework & Application Presentations (Individual) | 70% |

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

**Presentations:**
During the course of the semester, students will be presenting their case studies, frameworks and applications. During the course of the semester we will review the key components and the process behind putting together case studies and frameworks.

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