Misunderstood Securities

Fall 2015

**Below information is subject to change**

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Class location: TBD

REQUIRED AND RECOMMENDED COURSE MATERIAL

Greenwald, B., et al., Value Investing – required
Montier, J., The Little Book of Behavioral Investing – required
Richard, C., Confidence Game – required
Fisher, P., Common Stocks and Uncommon Profits – required
Taleb, Nassim Nicholas, The Black Swan – required
Whitman, M., Distress Investing – chapters required
Gladwell, M., Outliers – chapters required
Sorkin, A., Too Big to Fail – required
Lewis, M., The Big Short – recommended
Selected writings from Klarman, S., Whitman, M., The Milken Institute Review
Relevant newspaper articles

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>
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<tbody>
<tr>
<td>Corporate Finance</td>
<td>1. Cost of Capital</td>
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<td>2. Valuation</td>
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<td>3. Financing Options</td>
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4. Time value of money  
5. Opportunity cost (of capital)  
6. The Capital Asset Pricing Model (CAPM)  
7. Firm Valuation Model

**Financial Accounting**  
1. The “accounting equation”  
2. Revenue and expense recognition  
3. Resources and obligations – measurement and disclosure

**Global Economic Environment**  
1. Risk Management  
2. What is Gross Domestic Product and how is it measured?  
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. Ethics & IBS  
8. Behavioral and evidence-based strategy  
9. 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 examine misunderstood securities and special situation investments through the use of specific case studies. The class will focus on valuing companies undergoing radical change or facing meaningful uncertainty. Students will gain practical experience in enterprise valuation, special situation investing, scenario analysis, and qualitative risk assessment. Most classes will conclude with a one-hour discussion with a relevant guest speaker. Speakers include: Giorgio Caputo, First Eagle; Perry Mandarino, PWC Restructuring; Scott Ostfeld, JANA Partners; Eric Yip, Appaloosa Management.

**METHOD OF EVALUATION**
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

Final Company Pitch:
During the course of the semester, students will be assigned a single Company to research, model, and prepare a detailed pitch for final submission and presentation. Throughout the semester, we will review the key components and methodologies in researching and organization a long and/or short idea.

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