

COURSE SYLLABUS

Course Title: Value Investing: An Introduction
Course Code: BUS 123
Instructor Name: Kenneth J. Marshall

Grade Options and Requirements:

No Grade Requested (NGR): Please attend class.

Credit: The instructor will identify a company and students will be asked to value it in a brief write-up of no more than one page. The assignment will be given at the end of the first class (week 1), and students will turn in their one-page write-up at the beginning of the last class (week 5).

Letter Grade: Students will be asked to pick any one publicly-traded company, value it on a per-share basis, state whether it is a buy or a sell at any price prevailing during the course, consider what popular beliefs might be responsible for its mispricing, and say what popular beliefs might cause it to become differently mispriced in the future. Students will turn in a write-up of no more than three pages at the beginning of the last class (week 5).

Weekly Outline

This course turns your attention towards companies that the best value investors in the world are considering *right now*. Prior to each class, students will read approximately 5 pages from the annual report a company of *current interest to perennially overperforming value investors*. Each class will be a discussion of the company, and will emphasize the tools and principles of value investing naturally teased out by the case. Students should come to class prepared to share their views on that day's case.

WEEK 1: ACCOUNTING AND FUNDAMENTALS

- Value Investing vs. Growth Investing
- Fundamental Analysis vs. Technical Analysis
- Price vs. Value
- Financial Statements
 - Income Statement
 - Balance Sheet
 - Cash Flow Statement
- Operating Earnings
- Free Cash Flow
- Invested Capital
- Book Value
- Tangible Book Value
- Intrinsic Value
- Discounted Cash Flow

WEEK 2: METRICS

- Performance
 - Return on Invested Capital (ROIC)
 - Free Cash Flow Return on Invested Capital
- Price
 - Times Operating Earnings
 - Times Free Cash Flow
 - Times Book Value
 - Times Tangible Book Value
- Precision vs. Accuracy
- Margin of Safety

WEEK 3: DURABLE COMPETITIVE ADVANTAGE

- Sources
 - Brand
 - Cost
 - Government

Porter Five Forces Analysis

- Threat of new entrants
- Threat of substitute products or services
- Bargaining power of customers
- Bargaining power of suppliers
- Intensity of competitive rivalry

Quick Analysis

- Sustainable Breadth of Customer Base
- Sustainable Breadth of Supplier Base

WEEK 4: JUDGEMENT AND BEHAVIOR

- Volatility
- Behavioral Finance
- Human Misjudgement
- Bob Cialdini, Influence
- “Mr. Market”

WEEK 5: ADDITIONAL TOPICS IN VALUE INVESTING

- Benchmarking
- “Yes, no, and too hard”
- Idea Generation
 - 13-F
 - News
 - Special Situations
 - Small Capitalization Stocks
 - Stock Screens
- Differences Among Value Investors
 - Asset classes
 - Leverage
 - Shorting vs. Long Only
 - Time horizon
 - Activism
 - Complex vs. Simple
 - Focused vs. Diversified