



Surviving on Wall Street is baptism by fire...

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...as there is no training for the young analyst...

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Surviving on Wall Street is baptism by fire...  
...as there is no training for the young analyst...  
...or single book with what one needs to know...

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Surviving on Wall Street is baptism by fire...  
...as there is no training for the young analyst...  
...or single book with what one needs to know...  
...as the existing corpus of literature is a tangled  
web of thoughts and ideas

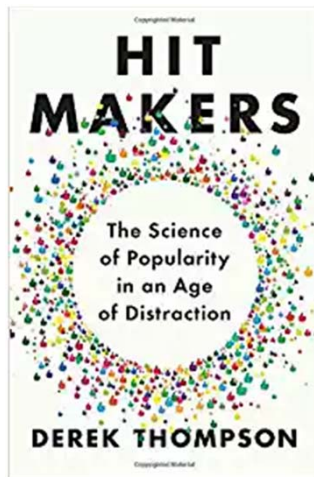
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We wanted to address that deficiency...  
...by creating a familiar surprise

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“To sell something familiar, make it surprising. To sell something surprising, make it familiar.”  
- Derek Thompson

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...my wife is a professor of finance at \_\_\_\_\_ University and, among others, she teaches a portfolio management course with a student-run allocation of the university's endowment. She'd been thinking about putting her own textbook together **out of frustration**--there was nothing that gathered together the essentials in one place--**but now I think you've saved her the trouble with your outstanding new book.**

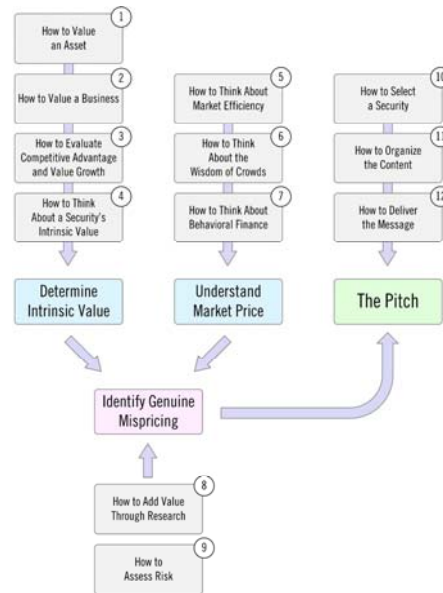
-email received September 22, 2017

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## Book Overview

- Determine intrinsic value
- Understand market price
- Identify genuine mispricing
- Add Value through research
- Assess risk
- Craft the perfect pitch



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If I have seen further, it is by standing on  
the shoulders of giants.

— Isaac Newton

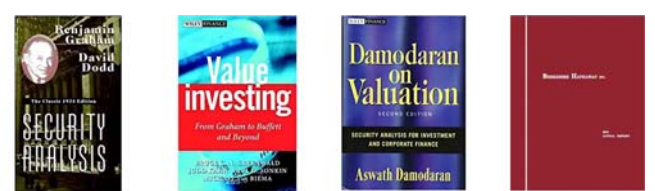
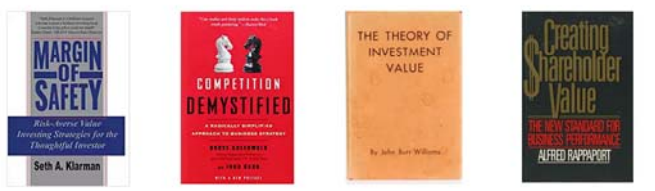

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graph TD
    A[How to Value an Asset 1] --> B[How to Value a Business 2]
    B --> C[How to Evaluate Competitive Advantage and Value Growth 3]
    C --> D[How to Think About a Security's Intrinsic Value 4]
    D --> E[Determine Intrinsic Value]
          
```

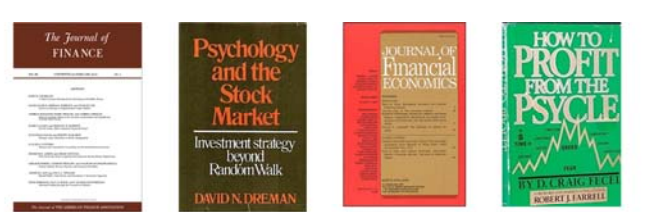






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graph TD
    A[How to Think About Market Efficiency 5] --> B[How to Think About the Wisdom of Crowds 6]
    B --> C[How to Think About Behavioral Finance 7]
    C --> D[Understand Market Price]
          
```

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Identify Genuine Mispricing

↑

How to Add Value Through Research <sup>8</sup>

How to Assess Risk <sup>9</sup>

The grid contains the following book covers:

- Top Row:**
  - The MOST IMPORTANT THING ILLUMINATED* by Howard Marks
  - THE BLACK SWAN* by Nassim Nicholas Taleb
  - THE MONEY MANAGERS* edited by Gilbert A. Kaplan and Chris Welles
- Middle Row:**
  - Common Stocks and Uncommon Profits* by Philip A. Towne
  - STEVEN JOHNSON WHERE GOOD IDEAS COME FROM*
  - Seeing What Others Don't* by Gary Klein
- Bottom Row:**
  - THE QUARTERLY JOURNAL OF ECONOMICS*
  - NO BULL* by Michael S. Susskind
  - The Journal of FINANCE*

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How to Select a Security <sup>10</sup>

How to Organize the Content <sup>11</sup>

How to Deliver the Message <sup>12</sup>

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The Pitch

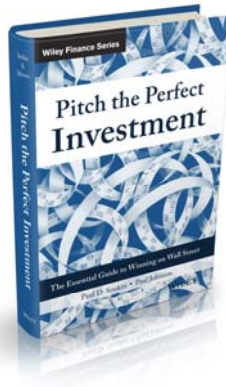
The grid contains the following book covers:

- Top Row:**
  - Cardinal Rules of Advocacy* by Knita
  - DRESS FOR SUCCESS* by John T. Molloy
  - Everything Is Obvious* by Derek J. Matthews
  - AJP* (American Journal of Psychology)
  - resonate* by Henry Duarte
- Middle Row:**
  - Strangers to Ourselves* by Daniel J. Levitin
  - the ORGANIZED MIND* by Daniel J. Levitin
  - How to Get Your Point Across in 30 Seconds or Less* by Mike O. Frank
  - Journal of Abnormal Psychology*
  - Journal of Cognitive Psychology*
- Bottom Row:**
  - NEVER SPLIT THE DIFFERENCE* by Chris Voss
  - Nonverbal Communication* by Richard Gabriel
  - ACQUITTAL* by Richard Gabriel
  - THE USES OF ARGUMENT* by Stephen Toulmin
  - storytelling with data* by Cole Nussbaumer Knaflic

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... to create



...with very practical implications

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## Key themes that we felt were important

- Valuation – determine a range for intrinsic value
- Market efficiency – understand how markets function to gain an edge
- Risk and uncertainty – understand and exploit the difference
- Pitching – get your idea adopted

We felt that these subjects had not been taught in a way that was useful to the young analyst

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What is the analyst trying to accomplish?

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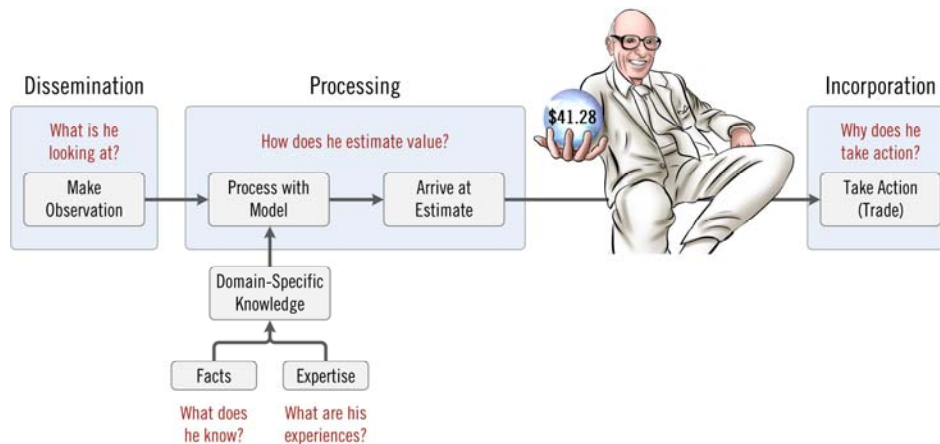
Find a “clear the desk” idea



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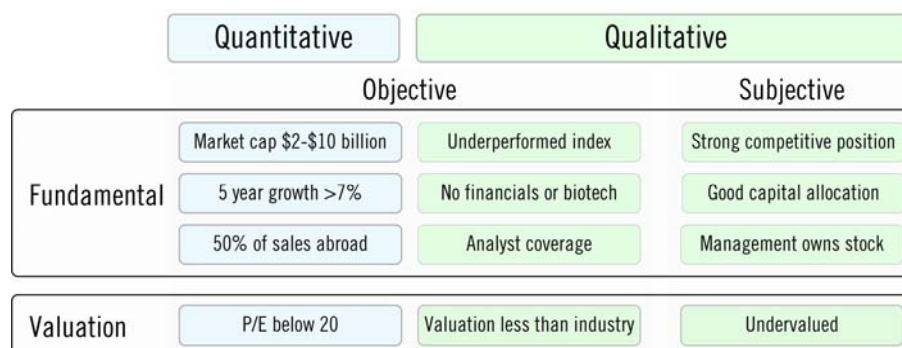
## Started by reverse engineering the process



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## All PMs have investment criteria



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## Just bring me stocks that will outperform ...

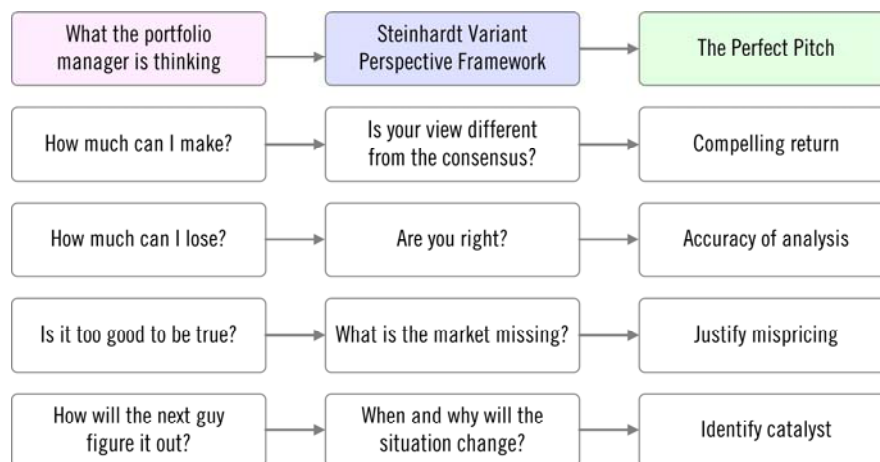
“We try to find some set of statistics that motivate us to act. The analogy I have always used is that when you go into the beer section of the supermarket, you see 25 different brands of beer. There’s something that makes you reach for one particular brew. In the parlance of the stock market, there’s some combination of return-on-equity, growth rate, P/E ratio, dividend yield, and asset value that makes you act.”

— Graham & Doddsville interview with Leon Cooperman Fall 2011



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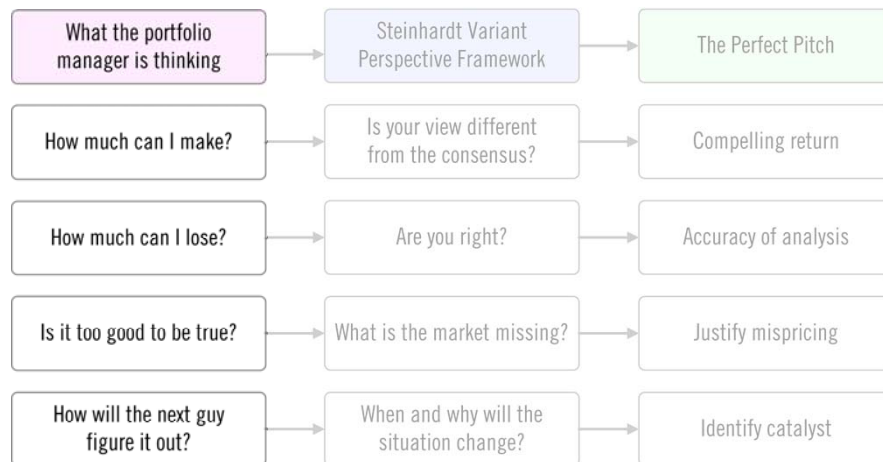
## How to address the PM's criteria and craft the perfect pitch



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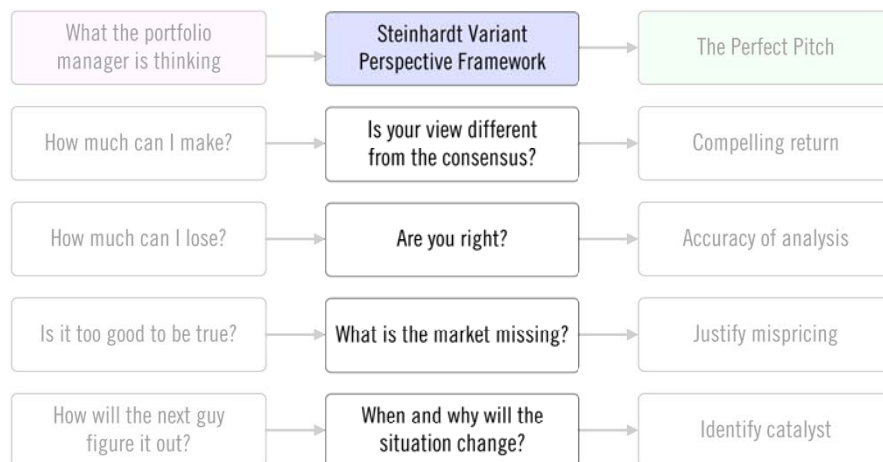
## Answer manager's four questions



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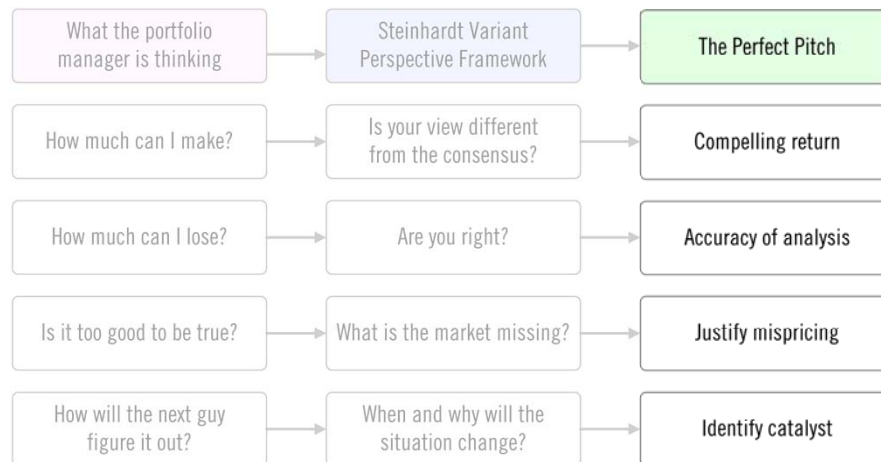
## Develop a variant perspective



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## Craft the perfect pitch

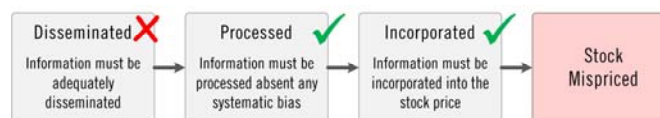


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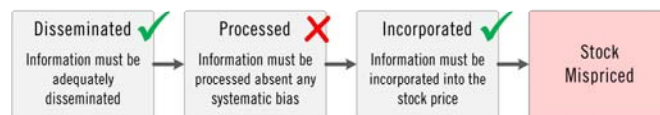
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## Only three ways to get an edge in investing

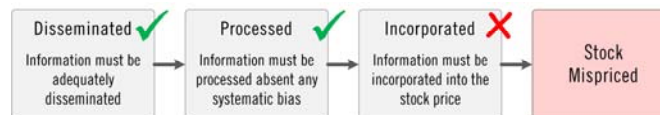
- Informational advantage



- Analytical advantage



- Cost / trading advantage

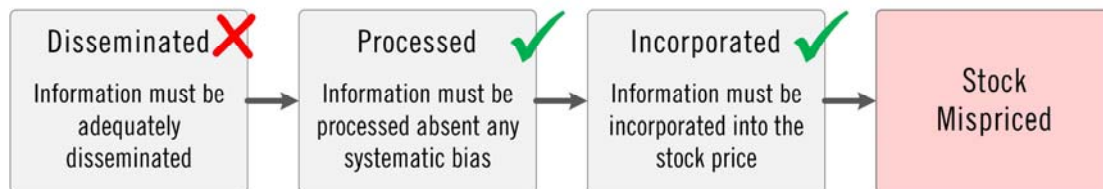


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## Informational advantage

Know something the market does not know

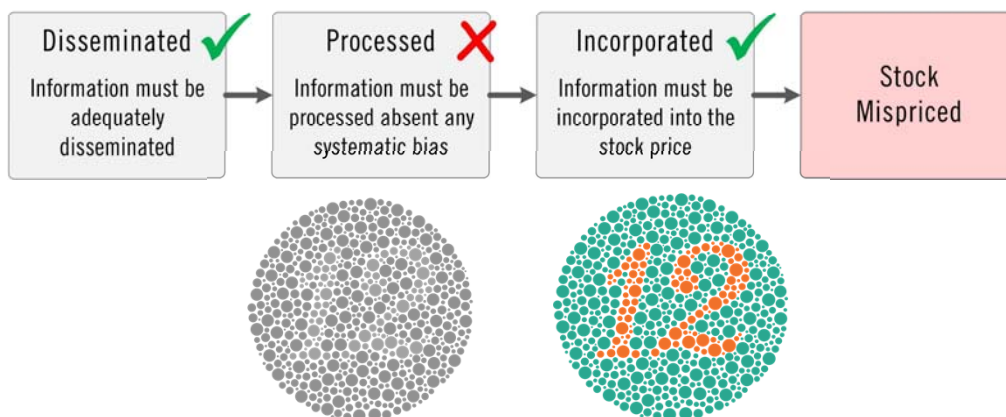


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## Analytical advantage

See something the market does not see

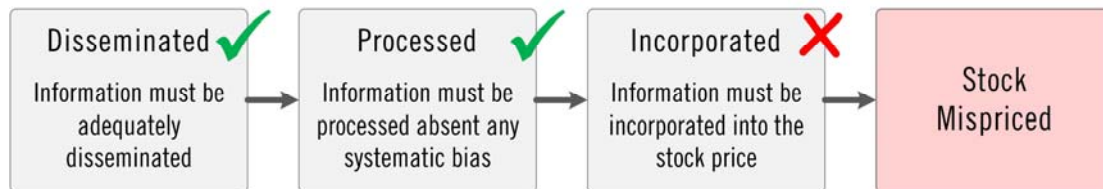


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## Cost / trading advantage

Willingness to trade when other investors cannot or will not



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## Delivery: appearance matters



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## A significant portion of the pitch is non-verbal



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## Do I believe him?

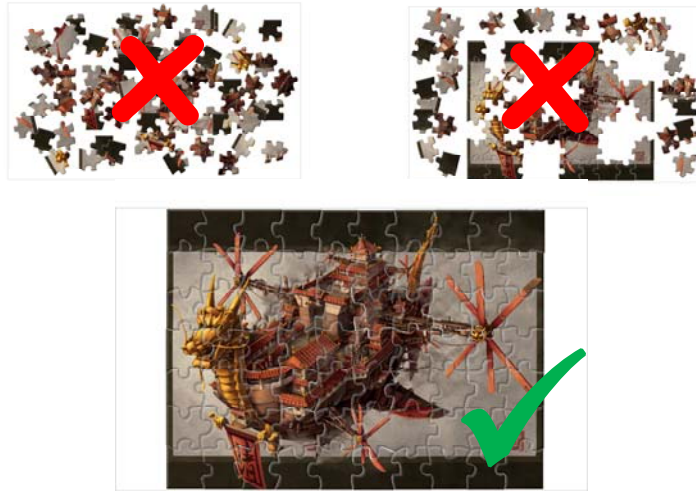


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## Need to make it easy for the manager



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## The Pitch

- Slide deck - 8 slides!
  - Basic financial information
  - Explain what the company does
  - Answer the four questions
- Pitch Pack
  - Copy of presentation
  - Reports you have written
  - Company's financial documents (Annual Report, Press Releases, important corporate filings)

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# Thank you

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