

Milind Rao

SPRING 2022

Email: MRao@ust.hk

Office hours: Wednesday 12:00PM-1:00PM or by appointment

ECON6110P
VALUE INVESTING
SYLLABUS
Wednesday 09:00AM-12:00PM

This course covers the philosophy, the theory and the practice of value investing as it has developed since Graham. We will focus on the economic analysis of the firm and the valuation of the firm. The underlying idea is to completely understand the firm. To do so, we will begin by understanding the industry and market trends. We will then systematically develop valuation techniques from the ground up as well as understand the limitations of the current standard forms of valuation. We will apply these techniques and the framework developed to study specific companies. Finally, we will discuss the construction of the portfolio and issues of portfolio management.

Required Work:

(20%) Problem sets

(30%) Exam **March 23**

(50%) Group Project

Industry Presentations: **March 2**

Company Presentations: **May 8**

Paper due **May 8**

Bonus Points: For identifying and presenting in class an original 'buy'.

Class Meetings:

Wednesday: 9:00AM--12:00 PM

Sunday May 8: 9:00AM--5:00 PM

Wednesday March 30: No Class

Wednesday May 11: No Class

Readings:

Required Text

- Benjamin Graham, The Intelligent Investor. HarperCollins, 2003.

Suggested Readings

- Browne, Christopher. The Little Book of Value Investing, Wiley, 2007.
- Berkshire Hathaways (BH), *Letters to Shareholders* www.berkshirehathaway.com/letters
- Buffett, Mary and David Clark (B&C). The New Buffettology, Simon and Schuster, 2002.
- Cunningham, Lawrence. The Essays of Warren Buffett: Lessons for Corporate America, 1st Revised Edition, 1997
- Greenblatt Joel. The Little Book that Beats the Market, Wiley, 2006
- Greenwald, Bruce and Judd Kahn (et al G&K). Value Investing. Wiley, 2001
- Siegel, Jeremy. Stocks for the Long Run, McGraw Hill, 5th edition, 2015

There will be additional notes and readings handed out in class and posted on Canvas.

Learning Outcome – Program Intended Learning Outcomes (“PILOs”):

1. Explain the methodology and philosophy of value investing, including key assumptions used, how value investing differs from other styles of investing and the strengths and limitations of this analysis framework (PILOs # 1 and 4).
2. Describe the key concepts, tools and frameworks of value investing, such as search, and different types of valuation, how these types of valuation differ from each other and from those used elsewhere (PILOs # 1 , 2 and 4).
3. Apply economic tools and principles to identify, and analyze actual real world companies (PILOs # 1 and 2).
4. Communicate these findings to the class and discuss with classmates (PILOs #1, 2, 4).

Course Format / Teaching Approach:

This course is delivered through lectures and student presentations

Teaching & Learning Activities	Roles in the Course	PILO Addressed
Lectures	Explain key concepts and their applications; Cases and examples to build student’s critical and analytical ability	1, 2, 3, 4
Problem set	Enhance understand of course materials	1, 2, 4

Exam	And their application through practice	
Group project	Develop communication skills Develop leadership and organization skills Understand applicability to the real world	1, 2, 4

Examinations and Grades

1. Problem sets (20%)
You will be assigned **problem sets** during the semester. You have to turn in your own problem sets before the deadline announced
 - Please note that **NO** late submissions will be accepted
2. Exams (30%)
 - There will be one in-class exam.
 - There will be **NO** makeup for the exam

3. Group Project (50%)

You will be assigned to a group and to a company. You will be making **2 presentations as a group**:

- a) an industry presentation during the term
- b) a company presentation at the end of the term

The group will have to write a 10 page group paper summarizing the research and presentations. This paper is due at the end of the term.

The accompanying Project sheet contains more information.

Criteria for evaluating papers and presentations

- Quality of the research and analysis
- Organization, clarity and persuasiveness of the presentation and writing
- Insights and originality

Classes

Please treat each class as a business appointment – attendance is required and punctuality is expected. If, for some reason, it is not possible for you to attend a class, please let me know by email before class.

ATTENDANCE POLICY

Attendance is mandatory

Should you need to miss class, please email prof Rao before the class.

Attendance will only be taken in the first 15 minutes after class begins. Anyone arriving after that time will be considered absent.

If you are attending on Zoom, the camera must be turned on for the full duration of the class. Failure to do so will result in a grade penalty.

Two unexcused absences will result in a grade penalty.

More than two unexcused absences will result in a failing grade for the course.

If you need to attend by zoom, please observe the zoom 'rules' listed below:

Zoom Rules

- 1. You are required to attend the classes just like regular classes in real time.**
- 2. Please turn on your camera all the time. Failure to do so will result in a grade penalty**
- 3. During the class, you are encouraged to talk with Rao and the class directly, chat box will not be entertained.**
- 4.. Class notes will be posted on canvas a day before the class, please print it out or prepare a separate device to go through it in the class. We will not share the screen with the ppt during the class.**

Academic Misconduct

Any academic misconduct will automatically result in a failing grade for the course. Academic misconduct includes, but is not limited to, Plagiarism, Cheating, Fabrication, Aiding and Abetting Academic Misconduct, and Falsification of Records and Official Documents (see Student Handbook for more information). Any violation will result in a failing grade for both the giver and the recipient automatically.

I. INTRODUCTION AND OVERVIEW

Graham, Chapter 1

II. LAZY MAN PORTFOLIO

Graham, chapters 2-4, 14

Siegel, chapters 1, 5-8, 12, 13

III . VALUE INVESTING: INTRODUCTION

Graham, chapters 1, 6, 7, 20

Buffett, "The Superinvestors of Graham and Doddsville", Hermes

Eugene Shahan, "Are short term performance and Value investing mutually exclusive"

Greenblatt, Chapter 8

G&K, chapter 1

Siegel, Chapter 23

IV. SEARCH

Graham chapter 8

B&C, chapter 3, 5

G&K, chapter 2

V. INDUSTRY PRESENTATIONS March 2

VI. FRANCHISE: ECONOMICS

Graham, chapter 13-15

Greenblatt, chapter 9

G&K, chapter 5

VII. FRANCHISE: CHECK LIST

Graham, chapter 19

B&C, Chapter 6, 13

Greenblatt, Chapter 6-7

VIII. EXAM MARCH 23

IX. OPTIONS

X. VALUATION: ASSETS

Graham, chapters 10,11

Browne, chapters 4-18

B&C, chapters 15-19

Greenblatt, chapter 10, 13, Appendix

G&K, chapter 5

Siegel, chapter 10

XI. VALUATION: EARNINGS

Graham, chapters 12, 13

XII. PORTFOLIO

Graham, chapter 15

Greenblatt, Chapter 8, 11

G&K, chapter 8

XII. GROUP PRESENTATIONS MAY 8