

## **Finance 925, Advanced Topics in Finance (Value Investing): Course Outline**

The course will build on what you have learned in the various Kellogg courses, especially Fin-Decisions.

At the same time, it will be different from the other courses in some important ways: I will focus on the Graham and Dodd framework (modified to suit today's conditions) for identifying investment opportunities that involves, among other things, answering the following two questions.

1. There are thousands of stocks available for investment; how do you narrow the choice to a few that you want to study more in detail?

2. How do you get sufficient confidence in your valuation to back your analysis with your own money? When you buy a stock (or sell, short sell a stock) someone else is on the other side -- why do you think they are wrong and you are right?

There is no one unique framework for answering these questions. Each framework will correspond to a particular investment philosophy. In this course we will look at one particular framework for answering these questions that I will call as the "Value Investing" framework.

The first four weeks will introduce you to the framework through mini cases and readings. You will then apply the method by identifying and evaluating a value investment opportunity (to be done in groups of 4 or less).

There will be five outside speakers, and their talks will help clarify several issues associated with Value Investing. Following the talk by each outside speaker, we will spend some class time discussing what we learned from that talk.

Peter Grondin's talk will focus on exploiting a value investing opportunity where you think the stock is overvalued and needs to be shorted. Gautam Dhingra will discuss a quantitative framework for evaluating the intangible-assets of a firm based on competitive analysis of the firm's industry-structure that will help make investment decisions. Todd Pulvino will go over a value investing opportunity in convertible bonds that existed some time back and discuss how that was exploited. Bart Madden will talk about the concept of Cash Flow Return to Investment, and a firm's profitability lifecycles, and how one may be able to identify and take them into account when evaluating an investment opportunity. Ludger Hentschel will give an introduction to the Quant approach to Value Investing -- it is an approach that manages a large sum of money on the street today.

The course grade will be based on the mini cases (homeworks) and the final project presentation where each group will present their analysis of a value investment opportunity that they identified.