

Finance 925, Advanced Topics in Finance: Value Investing

Spring 2008

Room: (to be announced) Jacobs Center, Thursdays, 6:30 pm to 9:30 pm

Tentative

Contact Information:

Professor Ravi Jagannathan
431 Jacobs Center
Office Hours: 5pm to 6pm on lecture days, or by appointment
847-491-8338 (voice), 847-491-5719 (fax)
E-mail: rjaganna@northwestern.edu
Course files: Blackboard
TA: Sharon Yang, Email: "S.X. Yang" <s-yang4@kellogg.northwestern.edu>

Course Overview

“Value Investing” will be the focus of this year’s Advanced Topics in Finance. The intent is to teach you the fundamentals of the value approach to investment management that will integrate what you have learnt in various Kellogg courses. This is done through a combination of lectures, valuation exercises, presentations by leading practitioners (followed by discussion of the issues such presentation bring forth), and a valuation project in which you will identify a value investing opportunity (to be done in groups of four).

Readings

The two main texts for the course will be:

Bruce Greenwald, Judd Kahn, Paul D. Sonkin and Michael Van Biema, Value Investing: from Graham to Buffett and Beyond, John Wiley, New York, 2001 (**VI**)

Benjamin Graham, Updated with new commentary by Jason Zweig, The Intelligent Investor, 4th edition, revised 2003, Harper Collins, New York, 2003 (**II**)

There will be several additional readings that will be handed out in class.

Course Grade

Grades will be based on Class Participation, Mini-Valuation Exercises (Homeworks), and the Final Valuation Project Report where you identify and evaluate an investment opportunity. You will do the homeworks and the final project in groups of 4 (Kellogg honor code applies).

Class Participation: 10 pts

Three Mini Valuation Exercises (Homework Assignments): 30 pts
Final Valuation Project Report: 60 pts

There is no final exam. Final Valuation Project Reports are due on the last day of class, Monday June 4th 2007.

Week 1, Thursday April 3

Fundamentals approach to Value Investing. Computing Asset value & Earnings Power value. Example: Trump Entertainment (TRMP).

Readings: II, Chapters 1, 8, 15; VI, Chapters 1-4 (till page 65 of Chapter 4).

HW1: Mini Valuation Exercise: Hudson General, based on the 1998 annual report, and VI, Chapters 4-5. Due: Week 2.

Week 2, Thursday, April 10

Discussion of HW1. Earnings Power (continued), Barriers to entry, Role of Intangibles, Risk, Winner's Curse, and the Margin of Safety. Examples: Microsoft, WD40, Intel.

HW2: Mini Valuation Exercise: Liz Claiborne, based on the 1999 annual report. Due: Week 3.

Readings: Selected Journal Articles to be given in class, II, Chapters 12, 20; VI Chapters 4-5, 6-8.

Week 3, Thursday April 17

Discussion of HW3. More on Earnings Power. Valuing Growth.

HW3: MEMC case based on annual report; due: Week 4

Readings: Selected Articles to be given in class

Week 4, Thursday April 24

Discussion of HW3. More on Valuing Growth. The Quant approach to Value Investing. Preliminary presentation on Group Projects

Week 5, Thursday May 1

Value Investing Practice, Outside Speaker: Peter Grondin, OSS Capital Management.

Week 6, Thursday May 8

Value Investing Practice, Outside Speaker: Gautam Dhingra , High Pointe Capital Management, LLC, on "Incorporating Intangibles into a Value Investing Framework"

Reading: "Sharpening the Intangibles Edge" by Bruch Lev," Harvard Business Review

Week 7, Thursday May 15

Value Investing Practice, Outside Speaker: Todd Pulvino, "Value in Convertible Bonds"

Readings: Articles given before class.

Week 8, Thursday May 22

Value Investing Practice, Outside Speaker: Bart Madden , "CFROI"

Readings: "Guidepost to Wealth Creation: Value-Relevant Track Records," "Maximizing Shareholder Value and the Greater Good

(http://www.learningwhatworks.com/papers/Max_Value.pdf)

Week 9, Thursday May 29

Value Investing Practice, Outside speaker: Ludger Hentschel, Director of Equity Research, New York Life Investment Management LLC, on "Managing a large quant-value portfolio"

Week 10, Thursday June 5

Final Project Presentations.