

**NEW YORK UNIVERSITY
LEONARD N. STERN SCHOOL OF BUSINESS**

FINC-GB.3182
Global Value Investing

Prof. James B. Rosenwald III
Fall 2013

Meeting dates and times

September 26; October 3, 10, 17, 24 and 31 at 6:00 p.m. – 9:00 p.m.

Contact Information:

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Objective: To prepare students to understand, evaluate, and invest using a Global Value Investment Philosophy in all asset classes (i.e. Securities, Real Estate, and Hard Assets). Students will be exposed to Value Investment Valuation methods, strategies and techniques.

Students are guaranteed to be better investors over their lifetimes or their money back!

Course Prerequisites

- Foundations of Finance (B01.2311)
- Basic accounting terminology
- Basic common sense
- Extraordinary enthusiasm and effort

Required Readings:

1. Aswath Damodaran, *Value Investing: Investing for Grown Ups*
2. Warren Buffett, *The Superinvestors of Graham-and-Doddsville + Berkshire Hathaway's Annual Letters*
3. Benjamin Graham, *The Intelligent Investor*
4. Seth A. Klarman, *Margin of Safety* + Baupost Partnership Letters
5. Burton G. Malkiel, *A Random Walk Down Wall Street: The Best and Latest Advice Money Can Buy*
6. John Train, *The Craft of Investing*
7. Charles Mackay, *Extraordinary Popular Delusions and the Madness of Crowds*
8. Martin Whitman, *Third Avenue Value Fund Letters*
9. James B Rosenwald III and Tony Hsu, *Dalton Asia Fund Letters*
10. Gifford Combs, *Pacific and General Investments Letters*

Structure: The course will use a combination of lectures, reading assignments, and guest lectures.

Lectures: Lectures will focus primarily on Value Investment Philosophy and valuation methods and techniques.

Reading Assignments: Students are expected to be able to discuss the required readings.

Guest lectures by some of the Investment Industries' most famous practitioners. They will provide examples of how the Philosophy of Value Investing has impacted their career. **ATTENDANCE IS MANDATORY AND WILL BE RECORDED.**

Grading:

Class Participation	30%
Midterm	30%
Final: Investment Analysis & Investment Pitch	40%

Session Plan

Session 1 9/26/2013 - Introduction and Overview

- What is Value investing and does it work?
- History of Value Investing (value investing pioneers)
- Principals of Value Investing -Graham's tenets of value investing (concept of Mr. Market, margin of safety)
- Efficient market hypothesis and the notion that value investing out of date
- Warren Buffett's response to the Efficient Market Hypothesis

Readings:

A. Damodaran, *Value Investing: Investing for Grown Ups*

Burton Malkiel, *A Random Walk down Wall Street*

Chapter 7 – How Good is Fundamental Analysis?

John Train, *The Craft of Investing*

Section 1 – The Craft

Section 2 – The Nature of Markets

Guest Speaker – TBA

Session 2 10/03/2013 - Analytical Process and Valuation

- Investing vs. Speculating (discussed in Margin of safety)
- Alignment of interests (skin in the game concept)
- Competitive advantage (moat)
- Contrarian vs groupthink (Sir John Templeton)
- Alignment of management interests with shareholders
- Mechanics of Valuation

Readings:

Seth Klarman, *Margin of Safety*

Chapter 1 – Speculators and Unsuccessful Investors

Chapter 6 – Value Investing: The Importance of a Margin of Safety

Chapter 7 – At the Root of a Value-Investment Philosophy

Charles MacKay, *Memoirs of Extraordinary Popular Delusions*

Chapter 3 – The Tulipomania

Burton Malkiel, *A Random Walk down Wall Street*

Chapter 2 – The Tulip-bulb Craze

Benjamin Graham, *"The Intelligent Investor"*

Chapter 7 – Portfolio Policy for the Enterprising Investor: The Positive Side

Chapter 8 – The Investor and Market Fluctuations

Chapter 20 - "Margin of Safety" as the Central Concept of Investment

Guest speaker – TBA

Session 3 10/10/2013 - Real Life examples of Value Investing

- Buffett's investment examples
- Net-nets, Discount to intrinsic value/liquidation value
- Tangible book value and balance sheet analysis (accounting for goodwill, etc)
- Portfolio construction and diversification
- Screens/monitor list
- Value traps and short selling

Readings:

Warren Buffett principles from *Berkshire Hathaway Annual Letters*

Acquisitions– 1978 & 1981 letter

Dividend policy – 1984 letter

Investment mistakes – 1985 letter

Capital allocation considerations –1987 letter

Good businesses vs. poor businesses – 1989 letter

Value creation – 1992 letter

Diversification vs Concentration – 1993 letter

Warren Buffett, *"The Superinvestors of Graham & Doddsville"*

Guest speaker – TBA

Session 4 10/17/2013 - Global Value Investing

- Value investing in emerging markets
- Focus on global competitive advantages
- Economic growth not always correlated with stock market performance (importance of being selective)
- Political/FX considerations
- Outside interests, privately held assets, transfer pricing
- SOEs vs. entrepreneurs
- How to invest in China through Hong Kong/Taiwan/Japan-listed companies

Readings:

Baupost's *letters to the partnership*

1996, 1999, 2001, 2002, 2006, 2007

Third Avenue Fund's letters to investors

Q4 2004, Q4 2007, Q4 2008, Q4 2009, Q4 2010, Q4 2011, Q4 2012

Guest speaker – TBA

Session 5 10/24/2013 - Value Investing at Dalton Investments

- Dalton is a disciplined value investor
- Dalton's investment approach and process
- Cannibals vs zombies
- "Long term greedy" vs "short term greedy"

Readings:

Dalton Asia Fund's newsletters

Pacific & General's newsletters

Guest speakers – TBA

Session 6 10/31/2013 – Final

Final Exam: Investment Pitch

Guest Speaker & Judge: TBA