

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

FINC-GB.3182  
Global Value Investing

Prof. James B. Rosenwald III  
Fall 2017

Meeting dates and times

September 28; October 5, 12, 19, 26, November 2 at 6:00 p.m. – 9:00 p.m.

Contact Information:

James B Rosenwald III

Dalton Investments LLC

Email: [jrosenwald@daltoninvestments.com](mailto:jrosenwald@daltoninvestments.com) (No phone calls please)

Office hours by appointment, KMC 9-150

Mailbox on KMC-9 Floor, Dept. of Finance

**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 valuation techniques and methods
- Basic accounting terminology
- Basic common sense
- Extraordinary enthusiasm and effort

Required Readings:

1. Aswath Damodaran, *Investment Philosophies: Successful Strategies and the Investors Who Made Them Work*
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, *Memoirs of Extraordinary Popular Delusions*
8. "The Psychology of Human Misjudgment"-Charlie Munger's Speech at Harvard University, June 1995. YouTube Video Link:- <https://www.youtube.com/watch?v=Sov0NuEEqw8>
9. Joel Greenblatt, *You Can be a Stock Market Genius*

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 9/28/2017 - Introduction to Value Investing

- What is Value investing?
- Pioneers of Value Investing
- Efficient market hypothesis and the notion that value investing out of date
- Rosenwald Student Investment Fund
- Recommended Books

#### *Readings:*

Aswath Damodaran, *Investment Philosophies: Successful Strategies and the Investors Who Made Them Work*

Chapter 8 – Value Investing

Burton Malkiel, *A Random Walk down Wall Street*

Chapter 4 –The Explosive Bubbles of the Early 2000s

Chapter 5 – Technical and Fundamental Analysis

John Train, *The Craft of Investing*

Section 1 – The Craft

Section 2 – The Nature of Markets

Guest Speaker – TBA

## **Session 2 10/05/2017 – Value Investing Criteria**

- Investing vs. Speculating
- Contrarian vs groupthink (Sir John Templeton)
- Alignment of interests (skin in the game concept)
- Competitive advantage (moat)
- Margin of Safety

### *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 6 – Technical Analysis and The Random Walk Theory

Chapter 7 – How Good is Fundamental Analysis?

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 10/12/2017 – Valuation & Portfolio Construction**

- Valuation methods
- Net-nets, Discount to intrinsic value
- Tangible book value and balance sheet analysis
- Portfolio construction and diversification
- Value traps and short selling

#### *Readings:*

Warren Buffett, *Berkshire Hathaway Annual Letters*

Acquisition and Investments: Same Rules for Both – 1978 & 1981 letter

Dividend Policy – 1984 letter

Swimming against the Tide: When Nothing Works – 1985 letter

Capital Allocation, Control Investment and taxes – 1987 letter

Why Good Businesses are Better Than Poor Ones – 1989 letter

Increase Wealth is NOT the same as Increasing Size – 1992 letter

Diversification and Concentration; Risk and Return – 1993 letter

Warren Buffett, *The Superinvestors of Graham & Doddsville*

Burton Malkiel, *A Random Walk down Wall Street*

Chapter 10 – Behavioral Finance

Chapter 11 – Potshots at the Efficient-Market Theory and Why They Miss

Guest speaker – TBA

## Session 4 10/19/2017 - Global Value Investing

- Value investing without boundaries
- Global competitive advantages
- Importance of being selective
- Geopolitical and FX considerations
- Value investing in real estate
- Dalton Case Study: Avex Holdings (7860 JP)

### *Readings:*

Baupost's *Letters to the Partnership*.....Page

1996, 1999, 2001, 2002, 2006, 2007

Joel Greenblatt, *You Can be a Stock Market Genius*..... please purchase book

Chapter 3 –Chips Off the Old Stock: Spinoffs, Partial Spinoffs, and Rights Offering

Chapter 4 – Don't Try This at Home: Risk Arbitrage and Merger Securities

Chapter 5- Blood in the Streets (Hopefully, Not Yours): Bankruptcy and Restructuring

Guest speaker – TBA

### **Session 5 10/26/2017 - Value Investing at Dalton Investments**

- About Dalton Investments
- Investment approach and process
- Cannibals vs zombies
- “Long term greedy” vs “short term greedy”
- Dalton Case Study: Himax

#### *Readings:*

Examples of Stock Analysis for Investment Pitch

Guest speakers – TBA

### **Session 6 11/2/2017 – Final**

Final Exam: Investment Pitch

Guest Speaker & Judge: TBA