

NEW YORK UNIVERSITY
LEONARD N. STERN SCHOOL OF BUSINESS

FINC-GB.3182
Global Value Investing

Prof. James B. Rosenwald III
Prof. David K. Sherman
Fall 2021

Meeting dates and times:

September 23, 30; October 7, 14, 21, 28, at 6:00 p.m. – 9:00 p.m.

Location: KMEC Room: 5-80, Location: Washington Square

Contact Information:

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TAs: Chen Ling and Spencer Rolfe

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*

Recommended Readings:

1. UBS, *Fundamental Equity Analytics: How to analyze and talk the Language of Multiples*
2. Barclays, *US Credit Strategy: Credit Market Activism through Covenants*
3. John McDonald and Riley Graebner, *High-yield Bonds: An Introduction to Material Covenants and Terms*
4. Jefferies University, *Forensic Accounting – Digging for Irregularities*
5. Credit Suisse, *Measuring the Moat: Assessing the Magnitude and Sustainability of Value Creation*
6. Credit Suisse, *Methods to Improve Decisions: Five Common Mistakes and How to Address Them*
7. Howard Marks, Oaktree Outlook Memo
8. BCA Research, *European Investment Strategy Special Report: The 5 Most Important Valuation Measures*

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. Recommended readings are optional.

Guest lectures by some of the Investment Industries’ most famous practitioners (if allowed to attend by NYU Health and Safety regulations, otherwise virtual). They will provide examples of how the Philosophy of Value Investing has impacted their careers as well as case studies.

Optional Zoom Workshops:

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|------------------|--|
| Midterm Workshop | Sunday, October 3 rd at 4 pm EST |
| Final Workshop | Sunday, October 24 th at 4 pm EST |

Grading:

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

Session Plan

Session 1 9/23/2021 - Introduction to Value Investing

- What is Value investing?
- Pioneers of Value Investing
- Types of Value Investing
- Rosenwald Student Investment Fund

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 09/30/2021 – Value Investing Criteria

- Investing vs. Speculating
- Contrarian vs groupthink
- Alignment of interests
- Competitive advantage
- 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 10/07/2021 – Valuation & Portfolio Construction

- Valuation methods
- Tangible book value and balance sheet analysis
- Portfolio construction and diversification
- Value traps, Value Stocks, and Value Index

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 10/14/2021 - Global Value Investing

- Value Investing Performance and Markets
- Geopolitical and FX considerations
- Value investing in real estate
- Dalton Case Study: Avex Holdings (7860 JP)

Readings:

Baupost's *Letters to the Partnership*

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 10/21/2021 - Value Investing at Dalton Investments

- Investment approach and process
- Cannibals vs zombies
- “Long term greedy” vs “short term greedy”
- Dalton Case Study: SZS (3376 TT)

Readings:

Examples of Stock Analysis for Investment Pitch

Guest speaker – TBA

Session 6 10/28/2021 – Final

Final Exam: Investment Pitch

Guest Judges: TBA