

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

FINC-GB.3182
Global Value Investing

Prof. James B. Rosenwald III
Fall 2016

Meeting dates and times

September 22 and 29; October 6, 13, 20, 27 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. "The Psychology of Human Misjudgment"-Charlie Munger's Speech at Harvard University, June 1995. YouTube Video Link:- <https://www.youtube.com/watch?v=Sov0NuEEqW8>
10. 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 9/22/2016 - 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- Efficient market hypothesis and the notion that value investing out of date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:

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 9/29/2016 – 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 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 10/6/2016 – 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 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*"

Joel Greenblatt, "*You Can be a Stock Market Genius*"- Ch. 3, 4, and 5

Guest speaker – TBA

Session 4 10/13/2016 - 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*

1996, 1999, 2001, 2002, 2006, 2007, 2013

Third Avenue Fund's letters to investors

Q4 2004, Q4 2007, Q4 2008, Q4 2009, Q4 2010, Q4 2011, Q4 2012, Q4 2013

Guest speaker – TBA

Session 5 10/20/2016 - 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:

Dalton Asia Fund's newsletters

Pacific & General's newsletters

Guest speakers – TBA

Session 6 10/27/2016 – Final

Final Exam: Investment Pitch

Guest Speaker & Judge: TBA