

New York University
Stern School of Business
Department of Finance

Fall 1998

B40.3124.10
Investment Philosophies

Professor Martin Gruber

Course Description

This course is designed to expose participants to a wide range of investment philosophies so as to give them a sense of what drives investors in each philosophy, how they attempt to put these philosophies into practice and what determines ultimate success. The objective is to provide an unbiased forum for the presentation of different investment styles, while supplying the tools and the empirical evidence of participants to make their own judgements about their relative value.

Rationale for the Course

Few investors beat the market consistently. There seem to be a few common denominators, at least on the surface, among these successful investors. They use very different investment strategies and subscribe to very different, and at times, contradictory views of how markets work and what leads to success. Some attest to the efficacy of charts and technical indicators, while others claim that fundamentals hold the key. Even within these broad groups, there are disagreements. Among those who subscribe to fundamentals, for instance, are both 'value investors', who trace their lineage back to Benjamin Graham, and 'growth investors'.

The coexistence of these investment philosophies in the market place raises several important issues:

- What are the themes that underlie each of these investment philosophies? What are the differences in the way investors in each of these camps view the way the market works?
- How do investors in each group, or at least the most successful among them, go about putting their philosophies into practice?
- What are the characteristics that most define success in each philosophy? Is it research or is it timing? Is it patience or speed?
- Is there any characteristic that investors who are successful share with each other, irrespective of investment of investment philosophy? What is more important, consistency or flexibility?

This course will be successful if it provides you with the information that will allow you to make your own judgement on the investment philosophy that seems to best fit your specific goals, views of how markets work and your strengths. In some of the cases, this course will cement an existing investment philosophy, in others, it will help sort out uncertainties and come up with a new philosophy.

Course Material

There will be a reading packet available in the book store containing background reading on each of the different investment philosophies you will be seeing in the coming weeks.

Course Grading

Course grading will be based on two factors:

1. 30% - The start of each class you will hand in a double spaced, one page (maximum) discussion of the previous weeks presentation. This should include a brief summary of what was said and your reaction to the material. You should hand in 8 discussions from among the 13 speakers.

2. 70% - A final examination.

An Option

Instead of 2 above, you can prepare a report. The report should be an examination of an investment philosophy (one discussed in class, or your own). At a minimum the paper should contain an analytical discussion of why the philosophy should work and should also contain some empirical evidence on the philosophy. I expect the paper to be of 10 to 20 pages (maximum) in length.

Should you choose this option, the paper must be handed in (and signed off by me), by the date of the final examination or you must take the final. No exception.

Instructor

Martin Gruber

Office Hours:

Monday: 1:00 – 2:00 and 4:15 – 6:15

Wednesday: 4:15 – 5:15

By Appointment

Phone: (212) 998-0333

Office: MEC 9-88

Secretary: Stacey Sperling – Phone: 998-0381