NEW YORK UNIVERSITY
LEONARD N. STERN SCHOOL OF BUSINESS

FINC-GB.3182
Global Value Investing

Prof. James B. Rosenwald III
Prof. David K. Sherman
Prof. Frank Brochin
Fall 2024

Meeting dates and times:
September 19, 26; October 3, 10, 17, 24, 31; November 7, 14, 21;
December 5, 12 at 6:00 p.m.– 9:00 p.m.
Location: TBD
Taught by 3 professors, 1 teaching assistant, and 1 additional team member

Contact Information (Office hours by appointment):

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Objective: Students will learn to evaluate and invest using a Value Investment Philosophy in all asset classes and geographies. Students will be exposed to practical strategies and techniques which will be applied to the Rosenwald Global Value Fund. Students are guaranteed to be better investors over their lifetimes or their money back.

Course Prerequisites: Foundations of Finance (B01.2311), basic valuation methods, basic accounting terminology, common sense, pragmatism, and extraordinary enthusiasm.

Mandatory Readings:

- Warren Buffet, *The Superinvestors of Graham-and-Doddsville + Berkshire Hathaway's Annual Letters*
- Benjamin Graham, *The Intelligent Investors*
- Seth A. Klarman, *Margin of Safety*
- Joel Greenblatt, *You Can be a Stock Market Genius (please purchase book)*
- Robert Kircheff, *A Pragmatist's Guide to Leveraged Finance: Credit Analysis for Bonds and Bank Debt*
- Charles Mulford and Eugene Comiskey, *Creative Cash Flow Accounting: Uncovering Sustainable Financial Performance*
- Michael Gatto, *The Credit Investor's Handbook: Leveraged Loans, High Yield Bonds, and Distressed Debt*
- Arthur Kroeber, *China's Economy: What Everyone Needs to Know*

Structure:

Lectures, reading assignments, and guest speakers.
Students are expected to be able to discuss the mandatory readings.
Additional reading materials may be distributed before certain classes and students will have access to a supplemental reading list with additional suggested literature related to value investing principles, strategies, and examples.

Guest lecturers (10 to 14) by some of the Investment Industries' most famous practitioners. They will discuss value investing in regards to their careers as well as case studies.

Grading:

Class Participation	25%
Case Study*	10%
Midterm: Group Project – Portfolio Review	25%
Final: Investment Analysis & Investment Pitch	40%

**Case Study to consist of written submission and in-class discussion.*

Session Plan

Session 1 - 9/19/2024 - Introduction to Value Investing

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

Recommended 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

Session 2 - 09/26/2024 – Value Investing Criteria

- Investing vs. Speculating
- Contrarian vs groupthink
- Alignment of interests
- Competitive advantage
- Margin of Safety

Mandatory 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

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

Session 3 - 10/03/2024 – Valuation & Portfolio Construction

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

Mandatory 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

Session 4 - 10/10/2024 - Global Value Investing

- Investment approach and process
- Cannibals vs. Zombies
- Geopolitical and FX Considerations
- Value investing in real estate

Mandatory Readings:

Joel Greenblatt, You Can be a Stock Market Genius

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.

Session 5 - 10/17/2024 - Global Value Investing

- Capital Structure Opportunities
- Credit 101
- Shareholder vs. Bondholder Incentives

Mandatory Readings:

Barclays, US Credit Strategy: Credit Market Activism through Covenants
A Pragmatist's Guide to Leveraged Finance: Credit Analysis for Bonds and Bank Debt
Chapter 10: Credit Ratios

Session 6 - 10/24/2024 - Global Value Investing

- In Class Case Study / SWOT Analysis

Readings: Case studies will be released at the conclusion of Session 5 and cover a real world example concerning both an equity and debt investment situation. Students will be required to review provided materials and be prepared for in class discussion.

Session 7 - 10/31/2024 - Value Investing

- Investment approach and process
- Cannibals vs zombies
- "Long term greedy" vs "short term greedy"

Mandatory Readings:

Everything is a DCF Model, Morgan Stanley
Creative Cash Flow Reporting: Uncovering Sustainable Financial Performance:
Chapter 8: Using Operating Cash Flow to Detect Earnings Problems
The Credit Investors' Handbook: Leveraged Loans, High Yield Bonds, and Distressed Debt
Chapter 13: Step 7 of the Credit Analysis Process: Preparing an Investment Recommendation and Credit Committee Memo

Session 8 - 11/7/2024 - Global Value Investing

Mid Term: Rosenwald Student Investment Fund – Buy, Sell or Hold

Session 9 - 11/14/2024 - China

China: a secular growth story. How did the Chinese economy develop? What were the key drivers of growth? Is China's development model sustainable? Is China still investable?

Required Readings (book):

- *"China's Economy: What Everyone Needs to Know" by Arthur Kroeber, Oxford University Press (2016).*

Session 10 - 11/21/2024 - India and Southeast Asia

India: emerging from the shadow of China. What are the main similarities and differences between China's and India's development paths? What key changes have taken place in India in the past few years that will support the country's economic growth?

Southeast Asia: the case for selective investments. What are the key similarities and differences between economic growth drivers in Southeast Asia, China and India? Why are Southeast Asian markets attractive?

Mandatory Readings (to be circulated before class):

- *"The base case for India", The Colony Group (November 2019).*
- *"The case for selective investments in Southeast Asia", The Colony Group (April 2019).*
- *"Why India will never be China", Gavekal Research (December 2017).*

Session 11 - 12/5/2024 Latin America, Africa, Europe, Japan

Latin America: not all trees grow to the sky. What are the growth drivers for Latin America? How do they differ from those in developing Asia? Why is growth more cyclical?

Africa: a game of snakes and ladders. What factors have been driving change in Africa over the past two decades? What are common investor misperceptions? Can one invest in countries where the rule of law is uncertain?

Europe: seeking upside in a low growth environment. What are the challenges to economic growth in Europe? What are the opportunities and risks created by the European project?

Japan: seeking upside through change. How is corporate Japan changing? Is growth necessary for value creation? Why and how can activist strategies unlock value?

Session 12 - 12/12/2024 – Final

Final Exam: Individual Student Investment Pitches