Columbia University
Graduate School of Business
B7399-02
Value Investing
Syllabus (First Edition)
January 7, 2005

Spring 2005, EMBA – Elective B | Room L107
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Introduction

Columbia Business School is the academic home of Benjamin Graham and the birthplace of "securities analysis," and, in particular, "value investing." Ben Graham, with the help of David Dodd, taught Value Investing at Columbia from 1928 to 1956. Roger Murray, following in Ben's footsteps, taught the class until 1977. Notable graduates of the program include Warren Buffett, Mario Gabelli, Leon Cooperman, Chuck Royce, Paul Sonkin and William von Mueffling. After having been omitted from the curriculum for more than 15 years, Value Investing is now entering the ninth year of its renaissance at CBS. Although developments in academic finance in the 1960s and 1970s led to an emphasis in the curriculum on efficient market theory, recent academic research has eroded confidence in this hypothesis; these new insights support many of the original tenets of the Graham and Dodd approach to investing. The course extends the core finance curriculum to include the value approach to company evaluation and investing.

This course is designed to teach students the fundamentals of the value approach to investment management originally developed by Graham and Dodd. The course will be segmented into two sections. The first four sessions will describe the basic structure of the analytical approach to value investing and its relationship to many of the elements of the MBA curriculum. The remaining sessions will be devoted to live case analysis by the students using the tools developed in the early part of the course.

Readings

There will be five primary sources of readings for the class:

N. Taleb, Fooled by Randomness, Second Ed. (New York, Texere), 2004
M. Lewis, Moneyball, (New York, Norton), 2004
B. Graham, The Intelligent Investor, Revised Ed. (New York, HarperBusiness), 2003

A. Rappaport and M. Mauboussin, Expectations Investing (Boston, Harvard Business School), 2001
B. Greenwald et al, Value Investing (New York, Wiley), 2001

Additional readings will be added as the course progresses.

Assignments

Students are asked to complete all of the assigned readings early in the term; this information will be extremely helpful in working on the cases later in the course.

Every student will participate in analyzing the investment merits a company (as part of a group) that will be assigned by the professor. The analysis will be presented to the class following the schedule below. Immediately following the presentation, the class will discuss each case, challenging the presenters, delving into the critical investment issues and offering the next steps to be taken in determining the suitability of the investment. Students not presenting are expected to research the company being analyzed and participate in the in-class discussion.

As a final project, each group will submit at the end of the term a formal write-up of their case presentation following the guidelines presented in class.

In addition, each student will have to submit three written critiques of presentations in which they were not involved (one from cases 1-6, one from cases 7-12 and one from cases 13-20). The written analysis will be limited to one double spaced typed page. The presenting group will get a copy of the written analysis.

Grades

Grades will be based on your contribution to the specific cases to which you were assigned (presentation and final written project) and on class participation during the case presentations. Cases will be judged on the strength of their investment merit.

Student participation will be graded on the contribution to the class discussions; points will be given for quality over quantity. Students are encouraged to challenge, disagree and pose alternative views; but obnoxious behavior will not be tolerated. Class participation during the presentations from the students will be valued most highly.

Class Schedule

Class	Date	Assignment
1.	January 7 - Introduction and Overview	

The philosophy of value investing

History of Value Investing
What is value investing?

Key contributions from:
Graham
Buffett/Munger
Greenwald
Modern Finance
Moneyball

Taleb

Capital Market Theory

Market Efficiency – Fama
Sources of Value
Neglect/Panic

Greenwald – guest speaker schedule

Syllabus and Grades
Class Expectations and Goals

Readings:
Lewis – Moneyball
Entire book
Taleb – Fooled by Randomnes
Entire book
Greenwald – Value Investing
Chapters: 1 – 2
Graham – II
Preface by Warren Buffett
A note by Jason Zweig
Introduction plus commentary
Chapter 1 plus commentary

2. January 21 – Introduction to the Analytical Process

Analytical structure
Mechanics of Analysis

Investing vs Speculating (trading)
Fundamental analysis worksheet

Competitive advantage
Growth
Management

Mental models

Select groups
Assign cases

Readings:
Greenwald – Value Investing
Chapters: 3 - 5
Rappaport/Mauboussin – Expectations

Chapters: 1 - 4

Graham – II

Chapter 8 plus commentary

3. January 22 – Valuation

Mechanics of Valuation

Tiered valuation model

EV/IC vs ROIC – WACC

Readings:

Greenwald – Value Investing

Chapters: 6 - 7

Rappaport/Mauboussin – Expectations

Chapters: 5 – 7, 12

Graham – II

Chapter 20 plus commentary

Postscript plus commentary

Graham-and-Doddsville by Buffett

4. February 5 - Case Study

Search procedure

Review the process

Case Study

David Trainer, New Constructs

Using the tool

Case Dates:

4.	February 18:	Cases 1, 2 & 3
5.	February 19:	Cases 4, 5 & 6
6.	March 18:	Cases 7, 8 & 9
7.	April 1:	Case 10, 11 & 12
8.	April 15:	Cases 13, 14 & 15
9.	April 30:	Cases 16, 17, 18, 19 & 20
		Course Review