

**DEPARTMENT OF FINANCE, INSURANCE, REAL ESTATE AND LAW
FUNDAMENTAL INVESTMENT ANALYSIS (VALUE INVESTING STRATEGIES)
COURSE SYLLABUS**

- TERM:** Fall Semester, 2014
Tuesdays 2:00-4:50 p.m.
BLB 75
- COURSE TITLE:** Fina4980.001/Fina 5650.001 Fundamental Investment Analysis
(Value Investing Strategies)
- INSTRUCTOR:** Jonathon T. Fite
Email: Jonathon.Fite@unt.edu
or Jonathon.Fite@KMFinvestments.com
Phone 817 690 5876
- OFFICE HOURS:** Times by appointment. I tend to respond to email inquiries fairly quickly.
- CO-INSTRUCTOR:** Dr. Niranjan Tripathy
Email: tripathy@unt.edu
Phone: 940-565-3045
- OFFICE HOURS:** Times by appointment.
- COURSE MATERIALS:**
1. Cunningham, Lawrence (2013), The Essays of Warren Buffett: Lessons for Corporate America, 3rd Edition, New York, NY: The Cunningham Group. 978-0966446111

Optional: Graham, Benjamin (2003), The Intelligent Investor, Revised Ed. (New York, HarperBusiness), 978-0060555665
 2. *Blackboard*. Course materials, assignments, and outside readings will be available within Blackboard. Students can access Blackboard using the Internet at the website learn.unt.edu. The site is password protected. You can learn more about Blackboard by reviewing the on-line student manuals.

**COURSE
MATERIALS
CONTINUED:**

3. *Outside readings:* Outside readings may be required for some class sessions.
4. *Internet Software:* You will need Internet access. Course materials and assignments will be distributed via the Internet using Blackboard or group emails. You will be responsible for accessing Blackboard to obtain all course materials. Adobe Acrobat Reader will be required to read some of these materials. Acrobat Reader is available free from the Adobe web site: www.adobe.com. Many of the printed materials required for this course will be in stored in PDF. This format is common for materials published throughout the web and for full-text articles obtained on-line from the UNT library.
5. *Class Powerpoint Presentations:* Copies of the PowerPoint slides used during the in-class lectures can be downloaded from Blackboard. I will generally save these files in PDF. I would encourage you to download and print copies of the slides in advance of their coverage in class. You may find this useful to follow along while in class, and/or to review the slides on-line from home or work.
6. *Homework Assignments:* I may periodically assign practice homework problems. Answers to the problems will be available in your text or Blackboard. I strongly encourage you to perform the homework assignments. These homework assignments will not be turned in or graded.

It will be assumed that you have a working knowledge of the topics covered in the prerequisites for this class. The prerequisite material includes statistics, forecasting and regression. Effort will be made to not address material already covered in those courses.

**COURSE
OVERVIEW:**

Note: I may revise the following schedule to accommodate class progress, to provide more in-depth discussion where warranted, to take advantage of guest speakers or tours if the opportunity should arise. We will attempt to stay as close to this schedule as possible.

Date	Corp Am Lessons	Topic Covered
Aug 26	None	Course introduction, Investing Styles Class Discussion: "The Super Investors of Graham and Doddsville"
Sep 02	Lesson 1	Mr. Market, Economic Moats, Competitive Advantage and "Inevitables" Class Discussion: Grahams 1st pillar of Investing Wisdom
Sep 09	Lesson 2	Circle of Competence & Margin of Safety - Graham's 2nd and 3rd pillars Case Study: Today's Inevitables and Definable Economic Moats
Sep 16	Lesson 3	Intrinsic Value, Accounting Earnings, Interest Rates and DCF Case Study: Competitive Analysis
Sep 23	Lesson 4	Buffett's Approach to Valuation: Owners' Earnings Case Study: Home Depot Owners' Earnings in 2009
Sep 30	None	Valuation Assessment #1 Case Study: Walmart part 1 (Basic DCF Models)
Oct 07	None	Valuation Assessment #2 Case Study: Walmart part 2 (Nuanced DCF Models) vs. Netflix
Oct 12	None	Exam #1 – Take Home Exam due by 11:59 p.m. Sunday Oct 12
Oct 14	Lesson 5	Test Recap Impact of Central Bank Policies on Interest Rates
Oct 28	Lesson 6	Case Study: Apple and effect of Share Repurchases Class Discussion: Options and "Net-Nets" Value Plays
Nov 04	Lesson 7	Case Study: Alco Stores (Net-Net Liquidation Analysis) Class Discussion: Lesson 7 Themes
Nov 11	Lesson 8	Corporate Governance, CEO alignment, Institutional Imperative, Proxies Case Study: Corporate Governance Benchmark
Nov 18	Lesson 9	Mergers and Acquisitions, LBOs, and Strategic Buyer Values Case Study: Diana Container Ships
Nov 25	None	Sum of Parts Valuation Discussion (Sears Holdings) Case Study: Sears Holding or Case Competition Prep
Dec 02	None	Commodity Cycle Analysis Case Study: TBD (CLD/ANR/BTU or E&P oil and gas plays)
Dec 09 BLB 314	None	Final Exam – Take Home Exam due by 11:59 p.m. Tuesday Dec 09

- 1) Finance & Investing Sections ABC & E to the ***
- 2) Finance & Investing Sections D, E after the *** & FG
- 3) Accounting Shenanigans (ALL) and Valuation & Accounting (ABCDE)
- 4) Re-read and Focus on Valuation & Accounting (E)
- 5) Common Stock
- 6) Valuation & Accounting (F)
- 7) Alternatives to Common Stock
- 8) Corporate Governance
- 9) Lessons for Corp America: Mergers and Acquisitions

GRADING:

You should not view the graded elements, or assessments, as separate from learning course content. These assessments are an integral part of learning about fundamental investment analysis. Each graded element provides an opportunity for you to interact with the different problems frequently encountered by investing professionals and to receive immediate feedback on how you have performed. The purpose of these assessments is to further your understanding of various value investing strategies.

Graded Element	Percentage
Exam 1	10%
Exam 2	10%
Lessons for Corporate America	27%
Case Studies Team Grade (11)	44%
Case Studies Individual Grade	09%
Total	100%
Note: Failure to actively participate in class may result in a multi-letter grade deduction from the final course grade.	

Grade	Numeric Range	Grade points
A	90 to 100	4.0
B	80 to 90	3.0
C	70 to 80	2.0
D	60 to 70	1.0
F	Below 60	0.0

Note: There will be no extra credit in this class. Students will not be allowed to resubmit cases or exams.

The grading scale is guaranteed. You will receive no less than the grade listed within the appropriate interval. I reserve the right to adjust the grading scale in favor of the class if warranted. The points assigned to each grade comply with the points identified in the UNT Graduate Catalog.

Numeric grades are not rounded up to the next high letter grade. I frequently curve the grades for many of the assessments in the course. Rounding would result in an additional curve for a limited number of students near grade “breaks.”

ASSIGNMENT FORMATS AND DUE DATES

You are expected to approach each assignment with the professionalism required in the “business” world by fulfilling completed staff work.

EXAMS:

Two exams will be given. The exams will consist of questions drawn from the readings, lectures, speakers, presentations, and out-of-class assignments. **You are responsible for the material even if it is not emphasized or covered during the lectures.** Past experience strongly suggests you will learn much more (and thus perform better) in the class if you have completed the reading assignment before coming to class. Powerpoint files are provided to you in advance in Blackboard however, I will cover material in addition to the text and Powerpoint slides. It is strongly recommended that you take thorough notes. Exams will focus on the chapters contained in the class schedule; however, due to the nature of the course and subject matter, all exams contain some comprehensive elements. There will be no make up exams except in extraordinary situations that require approval before the scheduled exam. The exams are not cumulative; however, you must be familiar with basic concepts discussed earlier in the class.

MISSING AN EXAM:

Exams cannot be made up. If you must miss an exam due to work or other unavoidable circumstances, you must contact me in advance. If the circumstances merit, I will schedule a make-up exam. These situations will occur on an exception basis and must be justified on extraordinary circumstances.

In order to be considered for the make up of an in-class test, you **must** notify me (via phone, fax, e-mail, or in-person) **before** the day of the in-class test. Failure to provide notification will result in a failing grade for the course. Exceptions will only be made in very extreme cases.

REQUIRED OUTSIDE READINGS:

The outside readings provide different perspectives on the class topics. The readings are meant to provide a foundation for in-class discussion and to broaden the students’ understanding of the topics. Material in these readings may be testable; students can improve their understanding of the topics by scanning these articles. The majority of the outside readings will be made available in Blackboard.

**CLASS
ATTENDANCE:**

I hold you responsible for all material covered during class, including changes to the syllabus, course schedule, and course materials. I will not supplement missed lecture material. If you must miss a class, you need to make the necessary arrangements to obtain any missed material or lecture notes from other students in the class. **I recommend you establish a “backup” or study group to supplement your notes or to obtain missed material.**

Class attendance is mandatory; and I will call on students by name to answer questions, discuss case assignments, and to comment on key concepts. Missing these opportunities may result in a reduction in your final grade (see class participation under Grading). Class participation and attendance cannot be made up without a valid medical excuse, an absence approved by the Dean of Students, or bona fide family emergency.

**CLASS
PARTICIPATION:**

Class participation will affect the case grades and your final grade. Points will be based on preparation for class, quality of class input, organization, and conciseness. If you do not actively participate, you will not receive any points for this grading element.

Students are expected to fully prepare for the in-class discussions. Case discussion requires significant effort and should not be taken lightly. I will call on students by name to provide an overview of the case, define the problem, identify key issues and themes, suggest alternatives, discuss the analysis, critique inputs, provide recommendations, and summarize the in-class discussion. I will record in-class discussion on a daily basis using a 5-point scale. The points assigned will be based on degree of participation as well as the quality of participation. Failure to be prepared will result in 0 points.

Students are also expected to incorporate an understanding of current economic events within their case and class discussions. To prepare, students are required to incorporate readings of economic periodicals (*Wall Street Journal*, *Financial Times*, etc.) into their daily routines. Students can obtain a reduced rate subscription through the University.

**CASE
PARTICIPATION:**

While case work will be completed as a group, you are required to make a full contribution to your team. Each student will be required to complete a peer review for yourself and each member of your case team (see Attachment 4, pp. 10-15). The peer reviews should be submitted individually, not shown to your teammates, and submitted with the final case.

FAILURE TO SUBMIT THE PEER REVIEW WILL RESULT IN AN AUTOMATIC 20% DEDUCTION FROM YOUR OVERALL CLASS AVERAGE!

The peer reviews are important as they will affect your case grades and those of your case team members. I will use the peer evaluations to compute your case scores as shown on page 10. Your review should consider how you and your teammates performed on both cases. As a result, you will receive two scores for each case: the team grade for the cases and your individual grade for the cases. The individual grades will not be posted until all peer evaluations have been received.

**LIBRARY
ASSIGNMENTS:**

Students are expected to use the library or internet sources to obtain outside readings and research industry information regarding the investing topics selected for the case assignments.

In addition, students use the library resources for access to the economic periodicals. Outside readings may be downloaded from the UNT library's electronic resources.

**ACADEMIC
INTEGRITY:**

Cheating, plagiarism, or other inappropriate assistance on examinations, abstracts, or cases will be treated with **zero tolerance** and will result in a grade of "F" for the course. Any work on the cases or abstracts is to be treated identically to an in-class test: the work should be solely your effort with **ABSOLUTELY NO** outside help or assistance. When working on the case assignments, you must not discuss the case with anyone (other faculty, other teams, or other students) unless specifically approved by the instructor. Students must be familiar with and adhere to the University's Academic Integrity policies. A dedicated website for this information can be found at:

<http://vpaa.unt.edu/academic-integrity.htm>

Copying or using material from assignments previously submitted by other students (at UNT or other learning institutions) or downloaded from the Internet is plagiarism. If you quote material, you must cite your sources. **Large scale “cutting and pasting” from other sources, even if properly footnoted does not meet the criterion of submitting your own work and will result in a failing grade for the course.**

The examination instructions are very clear regarding what materials may be used on the exam. **If you “preprogram” your calculator, use any materials other than those permitted on the exam, talk with other individuals during the exam, exchange information about an exam with an individual that has not taken the exam, or copy or use material from another individual’s exam, you will receive a failing grade for the course.** According to University policy, if you become aware of any misconduct related to academic integrity, you should inform me or another proper authority such as the department chair or associate dean.

FINAL GRADES:

I will not post final grades beyond what is available on Blackboard. I cannot respond to grade requests except if you appear in-person at my office.

GRADE APPEALS, WITHDRAWALS, & INCOMPLETES

Please refer to the UNT Graduate Catalog for policies governing these actions. If you have any questions, please contact me for clarification. Please note: I only use an incomplete for extraordinary circumstances. An incomplete grade will not be

used simply to provide more time to complete the course requirements.

EXAM AND ASSIGNMENT GRADE APPEALS

If you disagree with how any assignment or examination was graded, **you must submit a written appeal by email or letter before the start of the next class period.** The email or letter must clearly state the rationale for the appeal and provide evidence to support your position. For example, you may cite text references, Powerpoint slides, or outside readings to support your position—**these must be clearly referenced by title and page number.** The rationale should be objective in nature and should not include subjective opinions. **Appeals that do not provide supporting rationale and specific**

reference(s) to course materials will be returned without consideration.

AMERICANS WITH DISABILITIES ACT

The College of Business Administration complies with the Americans With Disabilities Act in making reasonable accommodations for qualified students with a disability. If you have an established disability as defined in the Act and would like to request accommodation, please see me as soon as possible. I can be contacted at the location and phone number shown in this syllabus. Please note: University policy requires that students notify their instructor within the first week of class than an accommodation will be needed. Please do not hesitate to contact me now or in the future if you have any questions or if I can be of assistance.

MOBILE PHONES AND PAGERS

All cellular or digital phones and pagers are to be turned off during class. **Failure to comply with this request will result in a letter grade deduction to the final grade if repeated.**

SCHEDULING DISCLAIMER

The schedule, policies, and assignments contained in this course syllabus are subject to change in the event of extenuating circumstances, class progress, or by mutual agreement between the instructor and the students. All changes will be announced in class prior to the change with a posted change to the syllabus given to each student and placed in Blackboard.

FINA4980/FINA 5980: ATTACHMENT 1 PEER REVIEW FORMS

During the last week of class, each group member will provide the instructor with an evaluation of their individual performance and of each group member's performance for the four case assignments using the forms included in this attachment. This measure allows you to identify the level to which your group members have helped the group. This is your chance to identify and reward/penalize both excellent and poor performance of group members, as well as your own. This is the only grade measurement where you play a role in determining your own grade or of your peers.

Peer evaluations will be performed anonymously using the rating forms attached to this syllabus. You can obtain an electronic version of the forms by downloading the syllabus from Blackboard. Please submit your evaluations as an attachment to an email to me. I will collect the responses and provide anonymous feedback to each student. My feedback will reflect my observations of your performance and participation in the course. You should consider my feedback as an indicator of the participation points that you will receive for the course. **I strongly recommend you review the peer evaluation sheets so you can become familiar with the requirements for team and course participation.**

I will incorporate the peer evaluations as part of your grade for the case assignments. The following formula will be used to adjust your grade for the four case grades:

$$\frac{\text{Individual average}}{\text{Team average}} \times \text{Team grade} = \text{Individual grade}$$

The formula allows an individual to receive a grade higher than the team grade if the team members considered the individual's performance to be higher than the other team members. NOTE: assigning high grades to everyone will not help the individuals that performed a disproportionate share of the work. High across-the-board evaluations do not help other team members or provide feedback on how or where to improve team performance.

You will only receive an average score and written feedback. You will not receive frequencies or distributions of scores.

PERFORMANCE RATING FORM SUMMARY

YOUR NAME _____ DATE _____

INSTRUCTIONS:

Use the Performance Factors handout to rate each of your team members and yourself. Follow guidelines given in the handout. Create a second page if you want to add comments. If you have any questions, contact me. Enter a 1-5 for each dimension for yourself and each person on your team. Make sure you put your teammate's name in Column Heading.

TEAMMATES (ENTER NAME IN COLUMN HEADING)

FACTOR	SELF				
1. Quality of work					
2. Timeliness of work					
3. Task support					
4. Interaction					
5. Attendance					
6. Responsibility					
7. Involvement					
8. Shares resources					
9. Emotional/ motivational support					
10. Leadership					
11. Overall Performance					

TEAM PERFORMANCE FACTORS

Guidelines:

1. Disregard your general impressions and concentrate on one factor at a time.
2. Study carefully the definition given for each factor and the specifications for each category.
3. Call to mind instances that are typical of the student's work and behavior. Do not be influenced by unusual cases, which are not typical.
4. Determine the category that best describes the student's accomplishments in that area and enter the number on the summary sheet
5. Comments should be used to support your ratings where applicable.

Factors:

- 1. Quality of Work: Consider the degree to which the student team member provides work that is accurate and complete.**

I	II	III	IV	V
Produces unacceptable work, fails to meet minimum group or project requirements.	Occasionally produces work that meets minimum group or project requirements.	Meets minimum group or project requirements.	Regularly produces work that meets minimum requirements and sometimes exceeds project or group requirements.	Produces work that consistently exceeds established group or project requirements.
50	75	90	95	100

- 2. Timeliness of Work: Consider the student team member's timeliness of work.**

I	II	III	IV	V
Fails to meet deadlines set by group.	Occasionally misses deadlines set by group.	Regularly meets deadlines set by group.	Consistently meets deadlines set by group and occasionally completes work ahead of schedule.	Consistently completes work ahead of schedule.
50	75	90	95	100

3. **Task Support:** Consider the amount of task support the student team member gives to other team members.

I	II	III	IV	V
Gives no task support to other members.	Sometimes gives task support to other members.	Occasionally provides task support to other group members.	Consistently provides task support to other group members.	Consistently gives more task support than expected.
55	65	75	90	95

4. **Interaction:** Consider how the student team member relates and communicates to other team members.

I	II	III	IV	V
Behavior is detrimental to group.	Behavior is inconsistent and occasionally distracts group meetings. Does not always follow code of conduct.	Regularly projects appropriate team behavior which includes following code of conduct, listening to others, and allowing his/her ideas to be criticized.	Consistently demonstrates appropriate team behavior.	Consistently demonstrates exemplary team behavior.
50	70	90	95	100

5. **Attendance:** Consider the student team member's attendance at the group meetings. (This includes in class meetings.)

I	II	III	IV	V
Failed to attend the group meetings.	Attended 1%-32% of the group meetings.	Attended 33%-65% of the group meetings.	Attended 66%-99% of the group meetings.	Attended 100% of the group meetings.
0	50	65	85	100

6. **Responsibility:** Consider the ability of the student team member to carry out a chosen or assigned task, the degree to which the student can be relied upon to complete a task.

I	II	III	IV	V
Is unwilling to carry out assigned tasks.	Sometimes carries out assigned tasks but never volunteers to do a task.	Carries out assigned tasks but never volunteers to do a task.	Carries out assigned tasks & occasionally volunteers for other tasks.	Consistently carries out assigned tasks and always volunteers for other tasks.
0	60	90	95	100

7. **Involvement:** Consider the extent to which the student team member participates in the exchange of information (does outside research, brings outside knowledge to group).

I	II	III	IV	V
Fails to participate in group discussions and fails to share relevant material.	Sometimes participates in group discussions and rarely contributes relevant material for the project.	Takes part in group discussions and shares relevant information.	Regularly participates in group discussion and sometimes exceeds expectations.	Consistently exceeds group expectations for participation & consistently contributes relevant material to project
0	65	90	95	100

8. **Share Resources/Expenses:** Consider the extent to which student team member is willing to share time, resources, or money with the group in order to accomplish group's goal.

I	II	III	IV	V
Does not share in resources/expenses.	Shares to some extent, but does not contribute a fair share.	Shares equally at all times.	Shares equally at all times, and occasionally gives more than is expected.	Consistently gives more than is expected.
50	65	90	95	100

9. Emotional/Motivational Support: Consider the amount of emotional/motivational support the student gives to other team members.

I	II	III	IV	V
Gives no emotional/motivational support to other members.	Sometimes gives emotional/motivational support to other members.	Occasionally provides emotional/motivational support to other group members.	Consistently provides emotional/motivational support to other group members.	Consistently gives more emotional/motivational support than expected.
55	70	75	90	95

10. Leadership: Consider how the team member engages in leadership activities.

I	II	III	IV	V
Does not display leadership skills.	Displays minimal leadership skills in team.	Occasionally assumes leadership role.	Regularly displays good leadership skills.	Consistently demonstrates exemplary leadership skills.
65	75	85	95	100

11. Overall Performance Rating: Consider the overall performance of the student team member while in the group. Do not consider extraneous knowledge that you may possess which is not relevant to group behavior, such as if you associate with the student outside of class in a friendship or working relationship.

I	II	III	IV	V
Performance significantly fails to meet group requirements.	Performance fails to meet some group requirements.	Performance meets all group requirements.	Performance meets all group requirements consistently & sometimes exceeds requirements.	Performance consistently exceeds all group requirements.
50	70	90	95	100