

FISHER
COLLEGE OF BUSINESS
THE OHIO STATE UNIVERSITY

Business Finance 724/824
Advanced Investment Analysis
The Stock Market

Contact Information:

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Course Objective and Overview:

The class invests approximately \$25 million for the University's Endowment Fund in a practical, hands-on course setting. Students taking this class will learn about and experience financial decision-making from the real-world perspective of the institutional investor.

The course is designed for students who are either pursuing careers in the investment field or who simply have a keen interest in learning more about investments. The prerequisite for this course is Business Finance 722/822, Security Markets and Investments. Students should have a basic understanding of accounting, corporate finance, economics, Modern Portfolio Theory and statistics. **Students must take this class for a grade. Pass/Fail is not an option.**

Course Structure:

The class format will consist of class discussions and student presentations. The first several weeks of the course will provide the framework and process for the group presentations and stock research report.

The students will be divided into sector teams. There are ten sectors in the S&P 500. Each sector group is responsible for tracking trends in its sector and for making a sector outlook presentation. Additionally, the teams will make a stock recommendation presentation.

Each member of the sector team will be assigned a stock. The student is responsible for all news flow regarding the stock throughout the quarter.

The sector groups are divided as follows:

Sector Groups	# Sector Presentations (i.e. # of Sectors)	# Stock Presentations (i.e. # of Sectors)
Consumer Discretionary	1	1
Consumer Staples	1	1
Oils	1	1
Utilities	1	1
Financials	1	1
Health Care	1	1
Industrials	1	1
Materials	1	1
Technology	1	1
Telecom	1	1
Total	10	10

Majority vote decides the sector and stock allocations in the portfolio.

Please see the following websites for information on The Student Investment Management Program:

<http://www.cob.ohio-state.edu/fin/courses/sim/>

<http://fisher.osu.edu/fin/faculty/west/>

Class Trip:

Each quarter, the class flies to either NYC or Chicago and meets with various investment professionals. The flights are paid for by the University as part of the class' "management fee" for managing part of the endowment fund (as a member of this class you are working for the University). The trip typically falls somewhere between the 6th and 8th week of class. The meetings should be treated with a high degree of professionalism as the class is representing Ohio State University. Students should be punctual, dress is business professional, and cell phones should be off during the meetings.

Grading:

The grading for the course consists of five parts:

- 1) Each sector group will present its sector outlook and recommendation to the class.
 - a. Each group presentation should be approximately 15 minutes long + discussion time.
 - b. Presentations should include a PowerPoint presentation. Bring a hard copy of the presentation for the instructor(s) and e-mail an electronic copy to the instructor.
 - c. Dress for the night of your presentation is business professional.

- 2) Each sector group will present its stock purchase(s)/sale(s) recommendations. **Groups should not present on all of the stocks**, only on stock(s) recommending action, or any new stock that it recommends for purchase (these new companies **MUST** be in the same sector as the assigned stock).
 - a. The students assigned to each sector group should agree on the overall positioning of companies within the sector.
 - b. Each group should plan to present for approximately 15 minutes long + discussion time. Only discuss the stocks for which you are recommending action.
 - c. Presentations should include a PowerPoint presentation. Bring a hard copy of the presentation for the instructor(s) and e-mail an electronic copy to the instructor.
 - d. Groups are required to present at least one candidate for purchase in their sector. The presentation of this stock should include all information that was necessary to evaluate the stock. Much like the sell candidates, this should include a DCF, multiple valuation, and technical analysis among other things. Please make this as complete and thorough as possible.
 - e. Dress for the night of your presentation is business professional.

- 3) Participation is a vital portion of this class.
 - a. At the beginning of each class, we discuss the previous week's market-related events. Students should be ready to discuss the following: S&P500 performance for the week, top/bottom sector performers, key economic drivers for the week, and key news that drove the market/stocks for the week.
 - b. Students will be awarded for participation.
 - c. Students will earn negative participation points for missing class (extra class participation can offset the loss of points for missing class) or being disruptive in class. Please be courteous to other students and the instructor.
 - d. Minimum participation (i.e. just showing up to class) will yield a participation score of 75%.
 - e. Students will also "grade" their teammates. After each sector presentation, each member of the sector team is required to submit a grade for each member of the sector team (including yourself). 10 points for a "perfect" teammate and zero points for a non-contributing teammate.

- 4) Four homework assignments will be collected during the quarter. These assignments will be directly applicable to your Final Report.

- 5) In lieu of a final exam, each student will write a report on the stock that he/she follows. The paper should be 20-25 pages in length and should be submitted electronically to west.47@osu.edu by the due date. Additionally, students must submit a “hard copy” to the instructor by the due date. The stock report will be submitted for the Rosenfield prize (<http://fisher.osu.edu/fin/courses/sim/rosen.htm>). The paper requirement is fairly intense...so start early.

The following formula will be used to determine the course grade.

Sector presentation	10%
Company presentation	15%
Participation	15%
Homework	20%
Stock Report	40%

Reading Materials:

More Than You Know by Michael J. Mauboussin, Columbia University Press, 2006 ISBN 0-231-13870-9

Additionally, a course packet that contains additional required readings and course notes (at the Tuttle Cop-Ez center on campus). The course packet includes readings from the sell-side, the financial press and academic periodicals.

Students are expected to bring the course packet to class, as the course notes will be utilized and the readings discussed during the class lectures.

It is also recommended that students regularly read The Wall Street Journal and other financial publications.

Course Policies:

Seating Arrangements: To help the instructor keep track of class participation and to make it easier for you to interact with each other during discussions, he asks that you to sit in the same seat each day and to bring your name card. Additionally, it is recommended that you sit with your sector teams.

Interaction: This class should prove to be very interesting and practical. The instructors promise to make it entertaining and fun, but can only do this with the help of the class. Students should come prepared to class in order to increase the chances of productive dialogue and class discussions.

Absences and Late Assignments: It is advised that you attend each class session. Submitting the final paper late or not being prepared for an individual or group presentation is highly frowned upon and may result in a substantially reduced grade.

Office Appointments: Royce will be happy to set up meetings with students to discuss areas of concern and questions. They will be available before or after class on most occasions, but you can also set up additional appointments. If you need to set up an appointment, the best policy is to leave a voice mail at the number listed above.

Class Outline:

The instructor may (and most likely will) alter the outline depending on the needs of the class and the level of discussion that accompanies each subject.

An outline for the course is listed below.

Class	Outline		
1	6/17	Discussion:	Introduction & Beginning the Research Process Course overview-syllabus Assign stocks Assign groups
		Read before class:	<i>Course Packet: Creative Intelligence Gathering</i>
2	6/24	Guest Speaker:	<i>Endowment Fund Investment Policy</i> by Al Rodak (Associate Treasurer of OSU)
		Discussion:	<i>Forecasting the Income Statement</i>
		Students:	Talk about the market and your stocks
		Read before class:	<i>More Than You Know: Chapters 1-7</i> <i>Course Packet: The Investment Clock Methodology</i> <i>Course Packet: Fed Easing: Evidence and Implications</i> <i>Course Packet: The Interim Period</i> <i>Course Packet: What to own as the Fed Raises Rates</i> <i>Sec.gov website: Company 10-K</i>
		Assignment due:	Assignment #1
3	7/1	Guest Speaker:	Dan Roberts, Chief Economist, STRS
		Discussion:	<i>Creating the DCF</i>
		Students:	Talk about the market and your stocks
		Read before class:	<i>More Than You Know: Chapters 8-13</i> Course Packet: GAAP vs. Pro-forma EPS Course Packet: Common DCF Errors Course Packet: Ruminations on Risk-Beta vs. Margin of Safety
		Assignment due:	Assignment #2
4	7/8	Guest Speaker:	John Farrell, Senior Vice President, National City
		Discussion:	<i>Using Multiples for Valuation, StockVal</i>
		Students:	Talk about the market and your stocks
		Read before class:	<i>More Than You Know: Chapters 14-21</i> <i>Course Packet: Traditional Equity Valuation Methods</i>
		Assignment due:	Assignment #3

5	7/15	Guest Speaker: Discussion: Students: Read before class: Sector Presentations: Assignment due:	Bhavik Khatari, Analyst, Diamond Hill <i>Relative Valuation/StockVal</i> Talk about the market and your stocks <i>More Than You Know: Chapters 22-30</i> Course Packet: Traditional Equity Valuation Methods Consumer Discretionary Consumer Staples Utilities Telecom Assignments #4 & #5
6	7/22	Guest Speaker: Students: Sector Presentations:	Don Ross, Boyd Watterson Talk about the market and your stocks Financials Healthcare Technology Industrials
7	7/29	Guest Speaker: Students: Sector Presentation: Stock presentations:	Clint Helmbrecht, Prospera Financial Group Talk about the market and your stocks Materials Energy Consumer Discretionary Consumer Staples
8	8/5	Guest Speaker: Students: Stock presentations:	TBD Talk about the market and your stocks Utilities Telecom Financials Healthcare
9	8/12	Guest Speaker: Students: Stock Presentations: Assignment due:	None Talk about the market and your stocks Technology Industrials Materials Energy Final Report due
Finals Week			Grade stock reports