NYU TANDON SCHOOL OF ENGINEERING
Finance & Risk Engineering

Value Investing, a Modern Approach

Instructor Information

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Course Information

- FRE-GY 7811
- Value Investing, a Modern Approach
- Time & Place: As Announced in Albert

Course Overview and Goals

Value Investing as outlined by Benjamin Graham and David Dodd in their book Security Analysis has proved to be the only investment strategy that has produced long term above market returns with relatively low draw downs. Warren Buffet the legendary investor is the prime example of the success of this approach to investing, an approach that has challenged the assertions of "Efficient Market Hypothesis." The first edition of Security Analysis was published in 1934 and Graham's "Intelligent Investor" was first published in 1949. Since then security markets have undergone major changes. Internet has made data, information, and news available at practically no cost. Using Natural Language Processing (NLP) far more Annual Reports, 10-K's, 10-Q's can be reviewed and analyzed for financial performance and quality of earning. Option markets that were nascent at the start of 20th century have become a full fledged vibrant market. Bygone are days of calling a broker and placing an order. Now almost all the trades are made electronically and commissions are something of the past. At the same time, the market has witnessed, credit crisis, hedge fund blow ups, "pump and dump" schemes, and short squeezes originated by blogs. All through these turbulences, value investors have shown their mettle, and the superiority of this approach to long term investing has been proven. There have, however, been major innovations in the market from exotic options, to ETF's to SPACs that a value investors can use to implement their strategies more efficiently. For example, one of the main theses of Value Investing is preservation of capital and the "Margin of Safety." Sometime these objectives can be achieved more

efficiently using options. This course teaches the students the principles of “Value Investing” together with applications of modern financial instruments to this approach to investing. It is shown how some of these modern instruments can reduce risk and enhance return when used prudently in a manner that is consistent with principles of Value Investing

Upon completion of this course, students will be able to:

Evaluate companies based on their financial performance and the fundamentals of their business models, and determine whether at their current prices they are “good” long term investments with sufficient “Margin of Safety.”

Determine whether certain option strategies can be prudently used to enhance the return or reduce risk of investment while not deviating from the principles of “Value Investing.”

Use NLP packages to review Annual Reports, 10-K’s and 10-Q’s for financial performance and quality of earnings

Course Requirements

- Courses in Investment, Probability and Statistics, working knowledge of EXCEL and high level language such as R or Python

Class Participation

Lectures

Assignments

There will be weekly assignments dealing with actual situations in the market

Tests & Quizzes

There will be a short midterm

Assigned Readings

Articles will be posted regarding current events in the financial markets and their relevance to the topics being covered in the course.

Grading of Assignments

The grade for this course will be determined according to the following formula:

Assignments/Activities	% of Final Grade
Homework	35%
Short Midterm	10%
Final	55%

Letter Grades

Letter grades for the entire course will be assigned as follows:

Letter Grade	Percent
A	95% and Higher
A-	90%-95%
B+	85%-90%
B	80%-85%
B-	75%-80%
C+	70%-75%
C	60-70%
F	Less than 60%

Course Schedule

Topics and Assignments

Week	Topic	Assignment Due
1	Price vs Value, Principles of Value Investing and measures of Risk, Return and role of volatility. Review of Accounting and Corporate Finance. Principles of Value Investing.	Sunday, two weeks from the lecture
2	Performance Measures: Analysis of Capital use, Cash flows, Revenue and Income; Book Value, Shares,	Sunday, two weeks from the lecture

	Management options, Management actions	
3	Past Performance, Business Strategy, Concept of “mote,” Future performance, Competition, Industry, Legal and tax, Legislation	Sunday, two weeks from the lecture
4	Introduction to Natural Language Processing (NLP) and its application to review Annual Reports, 10-K, 10-Q	Sunday, two weeks from the lecture
5	Review of options, Option as a Leverage position, Option strategies compatible with objectives of value investing	Sunday, two weeks from the lecture
6	Investment ideas, Evaluation process, Cognitive biases, Entering and exiting positions, Discussion of some value strategies	Sunday, two weeks from the lecture
7	Students Presentation of the companies that they have found to be overvalues and undervalues and their investment strategy using those companies	

Tests and Quizzes

- In class short quiz

Course Materials

Required Textbooks & Material
Will be provided

- **Access your course materials**: NYU Classes (nyu.edu/its/classes)
- **Obtain 24/7 technology assistance:** Tandon IT Help Desk (soehelpdesk@nyu.edu, 646.997.3123)
  NYU IT Service Desk (AskIT@nyu.edu, 212-998-3333)

Policies

Academic Misconduct

A. Introduction: The School of Engineering encourages academic excellence in an environment that promotes honesty, integrity, and fairness, and students at the School of Engineering are expected to exhibit those qualities in their academic work. It is through the process of submitting their own work and receiving honest feedback on that work that students may progress academically. Any act of academic dishonesty is seen as an attack upon the School and will not be tolerated. Furthermore, those who breach the School's rules on academic integrity will be sanctioned under this Policy. Students are responsible for familiarizing themselves with the School's Policy on Academic Misconduct.

B. Definition: Academic dishonesty may include misrepresentation, deception, dishonesty, or any act of falsification committed by a student to influence a grade or other academic evaluation. Academic dishonesty also includes intentionally damaging the academic work of others or assisting other students in acts of dishonesty. Common examples of academically dishonest behavior include, but are not limited to, the following:
    1. Cheating: intentionally using or attempting to use unauthorized notes, books, electronic media, or electronic communications in an exam; talking with fellow students or looking at another person's work during an exam; submitting work prepared in advance for an in-class examination; having someone take an exam for you or taking an exam for someone else; violating other rules governing the administration of examinations.
    2. Fabrication: including but not limited to, falsifying experimental data and/or citations.
    3. Plagiarism: Intentionally or knowingly representing the words or ideas of another as one's own in any academic exercise; failure to attribute direct quotations, paraphrases, or borrowed facts or information.
    4. Unauthorized collaboration: working together on work that was meant to be done individually.
    5. Duplicating work: presenting for grading the same work for more than one project or in more than one class, unless express and prior permission have been received from the course instructor(s) or research adviser involved.
    6. Forgery: altering any academic document, including, but not limited to, academic records, admissions materials, or medical excuses.

Disability Disclosure Statement

Academic accommodations are available for students with disabilities. Please contact the **Moses Center for Students with Disabilities** (212-998-4980 or mosescsd@nyu.edu) for further information. Students who are requesting academic accommodations are advised to reach out to the Moses Center as early as possible in the semester for assistance.

Inclusion Statement

The NYU Tandon School values an inclusive and equitable environment for all our students. I hope to foster a sense of community in this class and consider it a place where individuals of all backgrounds, beliefs, ethnicities, national origins, gender identities, sexual orientations, religious and political affiliations, and abilities will be treated with respect. It is my intent that all students' learning needs be addressed both in and out of class, and that the diversity that students bring to this class be viewed as a resource, strength and benefit. If this standard is not being upheld, please feel free to speak with me.