

Fin4118/FIN4716 Equity Research Seminar (4 MC module)

Instructor: James Cheng

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Office:

Class: 3pm – 6pm, Tuesday, weekly

Venue: LT18

Course Description

The primary objective of this course is to provide a practical framework for students to apply the financial and management theories they have learned in other courses to actual stock analysis.

This course introduces students to the skills needed for stock selection using fundamental research and how these qualitative skills are applied to portfolio management in the investment industry through a series of company research report writing. Portfolio positioning and construction in addition to the top down approach of portfolio management and how portfolios with multiple countries can be constructed are also covered through class discussions.

The course format is designed to simulate work environment in an actual buy-side firm investment report writing, critique and discussions. Students will get a good idea of what many buy-side investment firms look for.

The course seeks to prepare students for an investment management career by providing an understanding of what goes on in the minds of investors when they put capital to work. Student will learn the importance of understanding business models and how businesses create values. They will also have an opportunity to consolidate the theories they have learned in other finance classes into actual investment decisions.

As the stock reports/recommendations are “real life” investment ideas, the best ideas will potentially be selected for constructing an actual investment portfolio.

Course Format

Students will produce research reports with the objective of putting them into a real-life Asian portfolio. The course aims to simulate an actual “buy-side” research environment with class discussions on how to query investment ideas, handle country analysis and take into considerations other factors eg macroeconomic issues. The class will consolidate what is learned in other business school classes like Applied Portfolio Management, Value Investing in Asia by applying them to the research reports they produce.

The class is designed to cater to individualized learning and learning through discussions and active participation.

Meetings are weekly. Students are expected to produce a total of 3 in depth company research and present on the report in class every 3 weeks. During

classes, students are expected to participate actively in critiquing presentations of their fellow students.

Guest lecturers (portfolio and analysts) will be invited to participate in the lectures to critique case and also deliver short lectures to share their experience.

Groups and case work

Students will be assigned into teams of 3 to work on country/sector. However, reports and assessments are individual efforts. The team assignments are for encouraging collaboration among students and to allow the students to benefit from more feedback from the instructor. On site company visits will be arranged subject to availability and reports will have to be written and assessed.

Attendance

This is a 12-week module, students are not expected to miss class. Absent students will be disadvantaged by the participation grading (absence on medical grounds supported by medical certificates or compassionate reasons not counting).

Grading

1. Class Participation and responds 40%
2. Research Reports and Presentation 50%
3. Others (fieldwork, ad hoc assignments) 10%

There will be no final examination for this course.

Students are allowed to reference any source, but these sources must be properly referenced and acknowledged. Any work that is referenced without explicit acknowledgement will be regarded as plagiarism.

Recommended Readings:-

Books

1. Manias, Panics and Crashes – Charles Kindleberger
2. The Intelligent Investor – Benjamin Graham
3. Unconventional Success – David F Swensen
4. Expectations Investing – Alfred Rappaport and Micheal J. Mauboussin
5. Capital Accounts – Edward Chancellor (Marathon Asset Management)
6. The Psychology of Risk – Ari Kiev
7. Against the Gods – Peter Bernstein
8. Radical Uncertainty – John Kay/Mervyn King

Papers:

1. Performance Measurement: An Investor's Perspective, Charles M. C. Lee, Stanford University
2. MAPS OF BOUNDED RATIONALITY: A PERSPECTIVE ON INTUITIVE JUDGMENT AND CHOICE, Daniel Kahneman Noble Prize Lecture 2002
3. Seven Sins of Fund Management, James Montier