

Course Number: MGMT 472/MGMT 572
Course Title: Securities Analysis
Semester & Year: Fall 2014
Classroom: GSM 226
Meeting Time/Days: 5:30-6:45pm/MW
CRN/Line #: 48142/48143

Instructor: Mary Anne Majadillas
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Office Hours: M/W 3-3:45pm, or by
appointment

Overview

This class forms part of a 3-course sequence of the Student-Managed Investments Program. Specifically, the UNM Regents' Endowment Fund Portfolio was set up in 2006 to be managed by students at the Anderson School of Management. This is a \$2 million all equity portfolio managed by finance students under the supervision of faculty. An Investment Advisory Committee, consisting of 9 investment professionals, acts as the oversight body to the program and approves any purchase and sale recommendations made by the students (please see p. 6 for more information).

You will serve as the program's equity research analyst. Your primary responsibility will be updating the research valuation reports and giving recommendations on the stocks held in the Regents' portfolio. In the course of your analysis, you may also pitch new stocks to be added to the portfolio.

Learning objectives:

During the course of the semester, you will learn how to conduct:

- Business strategy analysis
- Industry analysis
- Financial statement analysis
- Valuation for different types of firms (and know which valuation methodology would be appropriate)

Main Texts:

Most of the material will be from these texts, which are on reserve at the Parish Library:

Fridson and Alavarez. Financial Statement Analysis: A Practitioner's Guide, 4th ed.
Publisher: Wiley

Thornton O'Glove. Quality of Earnings
Publisher: MacMillan, Inc.

Supplementary materials:

I will be using supplementary material from the following texts, which are on reserve at the Parish Library:

Del Vecchio and Jacobs. *What's Behind the Numbers?*
Publisher: McGraw-Hill

Wahlen, Baginski, and Bradshaw. *Financial Reporting, Financial Statement Analysis, and Valuation*, 7th ed.
Publisher: South-Western Cengage Learning

Palepu and Healy. *Business Analysis and Valuation: Using Financial Statements*
Publisher: South-Western

Rosenbaum and Pearl. *Investment Banking*.
Publisher: Wiley

Robert M. Grant. *Contemporary Strategy Analysis*, 7th ed.
Publisher: Wiley

You will find it extremely useful to have a subscription to *The Wall Street Journal*.

Course webpage:

I will post all course materials on the course webpage: <http://www.unm.edu/~maj/>

Attendance:

Coming to class is crucial in this course. You need to inform us ahead of time if you will not be able to make it to class. You are responsible for any material and assignments that you miss as a result of your absence. The maximum number of absences from class is 4. I will drop you from the class after you have been absent more than 4 times.

Grading:

Your grade will be based on the following:

Assignments	45%
Recommendation	35%
Class Participation	10%
IAC presentation/s	10%
<hr/>	
Total	100%

Assignments. The portfolio managers need to get your reports and recommendations in a timely manner. The assignments are designed to help make writing your reports easier, and help in your presentations in class and the IAC. Each assignment will focus on a particular segment of your report. Also, please be prepared to talk about your assignment in class. If you are called upon to present, a presentation grade will be part of the assignment grade. Detailed instructions will be

handed out separately for each assignment. I understand that developing a thorough understanding of the stock and the industries you are covering is a continuous process. As already mentioned, the assignments are really meant to help you in your analysis of the company and ultimately come up with a recommendation and report. I am willing to reward continuous effort, as long as you show improvement in your work. In this regard, half of the final grade in each assignment will be the original grade of the submitted assignment, and the other half will be the overall grade of the recommendation. For example, if your original grade in Assignment #1 is 70% and your overall grade for the recommendation is 100%, then your final grade for Assignment #1 will be 85%. Late assignments will get a 10% penalty, i.e., the maximum grade for late assignments will be 90%. Assignments submitted more than 24 hours after the deadline will not be accepted and will get a grade of zero and the adjustment described above will not apply.

Recommendation. The recommendation is your most important output in the class. As mentioned above, the assignments are designed to facilitate writing the recommendation. The best recommendations usually are a product of hard work on your part as well as feedback from others. Specifically, at minimum, you will be getting feedback from us. You may also get feedback from your classmates, the portfolio managers and the IAC. So, please expect that you will be doing a lot of rewrites on the report. The good thing about this is, it gives you the opportunity to keep on improving upon your work. You will submit two drafts of your recommendation: the first draft will be for the portfolio managers and the second draft will be the final draft for the IAC. Each draft will comprise half of your overall recommendation grade. Late drafts will get a 10% penalty, i.e., the maximum grade for late drafts will be 90%. Drafts submitted more than 24 hours after the deadline will not be accepted and will get a grade of zero.

Class participation. As an analyst, you are expected to monitor your stock and be aware of the latest developments that could potentially impact your stock. You are expected to give an update to the class whenever any developments come up, and give us your opinion on how this will likely affect company performance. Examples of important developments include earnings reports or updates, management turnover (e.g., the CEO or CFO is leaving), federal or internal investigations, mergers and acquisitions, dividend cuts, regulatory changes, oil spills, product recalls, news about competitors, etc. When in doubt, it is better to talk about it in class. Additionally, as mentioned above, feedback is crucial to improving your work. I will all benefit if everybody participates actively in class. Specifically, I expect all of you to critique each other's presentations, ask probing questions, and give suggestions on how your classmate can improve the substance and clarity of their work. Finally, presentations to the Portfolio Management class will count towards class participation.

IAC presentation/s. There will be two IAC meetings this semester, and you are expected to attend both meetings. You may be called upon to present at the first IAC meeting. You are required to present at the last meeting.

Grading scale:

- I do not round off the final numerical grades. For example, if your total points at the end of the semester is 92.99999999%, your grade will be A-.

Total points	Letter grade
97% - 100%	A+
93% - 96.99%	A
90% - 92.99%	A-
87% - 89.99%	B+
83% - 86.99%	B
80% - 82.99%	B-
77% - 79.99%	C+
73% - 76.99%	C
70% - 72.99%	C-
67% - 69.99%	D+
60% - 66.99%	D
0% - 59.99%	F

ACADEMIC INTEGRITY

Anderson School of Management faculty, staff and students commit to values of trust, honesty, integrity, and accountability. I will not tolerate academic dishonesty. By enrolling in any course at Anderson, the student accepts the Anderson Academic Honesty Code and affirms the following pledge:

I will not lie, cheat, fabricate, plagiarize or use any other dishonest means to gain unfair academic advantage.

Any violation of the code of conduct will be taken very seriously and appropriate sanctions will be applied. FOR FULL TEXT OF ANDERSON’S ACADEMIC HONESTY CODE, please visit <http://www.mgt.unm.edu/honesty>. Please take a moment to read the academic honesty code. I will drop you from the class if you commit any act of academic dishonesty.

ADA Statement

Reasonable accommodation will be given to any individual with a legitimate disability. Please contact the instructor privately for arrangements. If you are a qualified person with disabilities who might need appropriate academic adjustments, please communicate with us as soon as possible so that I may make appropriate arrangements to meet your needs in a timely manner. Frequently, I will need to coordinate accommodating activities with other offices on campus. Course materials can be made available in alternative formats.

Class Schedule:

The following schedule is approximate. Depending on our progress in class, we may be spending more/less time on the topics listed below. We may also spend time discussing other related topics as they come up in class or in the news. You will be informed ahead of time if there are any important changes.

		Topics	Readings
8/18/2014	M	Intro	
	W	How to Read a 10-K -- part 1	
8/25/2014	M	Industry Analysis	Palepu and Healy, Ch. 2; Grant, Ch. 3 & 4
	W		
9/1/2014	M	Labor Day (no class)	
	W	Basic of Financial Statements	QoE: Intro, Ch. 1; F&A Ch. 2, Ch. 3
9/8/2014	M	Accounting quality	QoE: Ch.11; F&A Ch. 11; DV&J Ch. 4
	W	How to Read a 10-K -- part 2	QoE: Ch.2
9/15/2014	M	Reviewing the Proxy, website information, and transcripts	QoE: Ch.3
	W	Income statement analysis - revenue recognition, expense recognition	F&A Ch. 5 -7; DV&J Ch. 2
9/22/2014	M	Income statement analysis - profits	QoE: Ch. 4, Ch.5; Ch. 6
	W	Modeling the Income Statement	
9/29/2014	M	Balance sheet analysis - A/R, Inventory management	QoE: Ch. 8, DV&J Ch. 3
	W	Balance sheet analysis - debt analysis	Wahlen Ch. 5; F&A Ch. 13
10/6/2014	M	IAC meeting #1 6pm Jackson Center	
	W	Statement of cash flows	F&A Ch.4; DV&J Ch. 5
10/13/2014	M	Analysis of acquisitions	QoE: Ch. 12, F&A Ch. 10
	W	Multiples - background	F&A Ch. 8 & 14 (pp. 313-323); Rosenbaum and Pearl Ch. 1
10/20/2014	M	Multiples - valuation	Wahlen Ch. 14
	W		
10/26/2014	Sun	Report - first draft for PM class - due	
10/27/2014	M	<i>practice presentations</i>	
	W	<i>practice presentations</i>	
11/3/2014	M	Class project: KMP analysis and recommendation	
	W	Class project: KMP analysis and recommendation	
11/10/2014	M	Class project: KMP analysis and recommendation	
	W	Class project: KMP analysis and recommendation	
11/17/2014	M	<i>Presentations to the portolio managers (4-5:15pm ASM 1017)</i>	
	W	<i>Presentations to the portolio managers (4-5:15pm ASM 1017)</i>	
11/24/2014	M	Report - final draft - due	
	W		
12/1/2014	M	<i>practice presentations</i>	
	W	IAC meeting #2 6pm Jackson Center	

Anderson School of Management Student-Managed Investments Program

In 2006, the Board of Regents of the University of New Mexico made available \$2 million of the Regents' Endowment Fund to establish an all-equity investment portfolio to be managed by Anderson School of Management students. The portfolio is managed under the supervision of faculty members as part of the students' course work in finance.

The curriculum for the program consists of a 3-course sequence which is offered at both the undergraduate and MBA level. The courses are Investments, Equity Security Analysis, and Applied Investments Management.

The Investments course (BBA 471/MBA 571) provides an introduction to the fundamental theories and practices of investment analysis and management.

The Equity Security Analysis (BBA 472/MBA 572) course covers company valuation and equity analysis. Students serve as the program's equity research analysts. The students are responsible for providing the research valuation reports and recommendations for stock holdings, and they also look for new stocks to recommend.

The Applied Investments Management course (BBA 479/MBA 579) is the final course in the sequence and provides the hands-on management of the Regents' Portfolio. The student "portfolio managers" make recommendations for how to allocate the equity portfolio among sector exchange-traded funds and individual stocks as well as how to allocate and cash. They also are responsible for monitoring, reporting, and risk management as well as the long-term trend positions.

An Investment Advisory Committee (IAC), consisting of 9 investment professionals, acts as the oversight body to the program and approves any purchase and sale recommendations made by the students. The portfolio is managed between semesters by student volunteers with faculty supervision.

Finance Concentration Advisor:

All of the above courses count for finance concentration credit. If you have any questions about any of the above courses or other finance classes that you need to take, please contact Prof. Leslie Boni at LBoni01.unm.edu.