

NATIONAL UNIVERSITY OF SINGAPORE  
NUS Business School  
Department of Finance

FIN3132 Value Investing in Asia

Instructor: Robert Du

*Robert is a doctoral candidate at Hong Kong Polytechnic University and is scheduled to graduate late 2016 or early 2017. Robert has got his bachelor's and Master's degree from Shan Dong University and Beijing Foreign Studies University. Over the past 20 years or so, he has taken more than 40 business and particularly finance courses at educational institutions like University of Chicago, Wharton Business School, IMD (Lausanne, Switzerland), NUS, HKUST etc. Also, Robert has been participating in finance and investment conferences and seminars in major financial centers around the world on a regular basis. Furthermore, Robert has gone to Warren Buffett's Annual Shareholders Meeting a few times and took a course at University of Nebraska in Omaha to have won a Warren Buffett Genius Certificate. He co-founded a public - Listed Company from early 1990s to early 2000s. For a long time, he has been making the most conscious effort and has successfully bridged the two worlds of real world investing and financial theories. While pursuing his Doctoral degree from PolyU, he has taken, for longer than two years, finance research seminars and lectures by visiting professors from all over the world intended for its faculty members and Ph.D. students on a weekly basis to have gained a sound and wide mastery of contemporary finance issues and theories behind the best practices. He has been a guest lecturer at Hong Kong University on "Value Investing" and "The Essence of Warren Buffett's Investing" to graduate school finance students. Robert has been gaining knowledge and insights into businesses for more than 20 years and business insights, forecasts and valuations are at the core of investing. No investing can have long term success without a strong risk management priority, I believe.*

## **Course Description:**

*This course seeks to influence, educate and develop value investors for Singapore in particular and Asia in general by focusing on the fundamentals of both great theories and sound practices of value investing. Value investing has come a long way from Ben Graham to today.*

*Though the focus of the course is on the successful application of great theories and the development of a student's value investment system and style, the course will also be touching upon all elements of value investing, such as its history and key value investors, key concepts and developments, reference articles, papers and books, skills, characters, market insights, risk management, psychological workings, valuations, businesses insights and forecasts and the thinking processes.*

*This course will draw from the concepts and wisdoms of value investing legends and its most successful practitioners. The course will be using real and present day companies, their data as examples to learn how the value investors have made their winning investments and try to apply their principles to make your own investments.*

*By the end of the course, students will have come up with a preliminary framework or a system and a set of key principles to guide and help you find businesses to invest in. We will learn that investing is more than what you know, what skills you have but rather what you are and what your core values are.*

*Value investing has worked for years and you will have the chance to become a lifelong value investor and this program will be providing you with all you need to succeed.*

*These are the key themes to be covered:*

*First, what do the investors need to become value investors? What are the core qualities for a value investor? Second, what are INTELLIGENT BEHAVIORS for value investors? Why is it so hard to stick to them? Third, how does the stock market WORK? Fourth, how do value investors make the decision? Fifth: The study of businesses and their valuations.*

*Class one:*

*Introduction -Seeking wisdom through history, principles, and cases of Value Investing.*

*I will raise the vital question:*

*“What important truth about investing does a good investor know that other investors don’t?” or “What is the significant edge that a good investor has over others?”*

*The first class will spend 30 minutes brainstorming together for value investing opportunities and exploring the core activities of a value investor.*

## *Class two:*

### *How can one become a value investor?*

*The second class will be talking about all the aspects of a value investor. A great value investor lives what he or she preaches. What does it take to become a value investor and what is like being a value investor?*

## *Class three:*

### *Risk Management*

*Value investing Rule No.1 is "Never Lose Money", and this is the best risk management principle that an investor can have.*

*Risk has to be controlled for any system, an investor or a fund manager to work well over long term or on a sustainable basis. Too many systems or investors fail because a fatal flaw brings down the system or the investor or the fund manager, although most of the times the system works beautifully. Your Investment System should put risks at the highest consideration. If the worst scenario will not bring down the system, nothing will. However, when it comes to risk management, investors should always be over prepared and should leave plenty of room (margin of safety) for the knowns and unknowns. That is the cornerstone of a system.*

*Contrary to the conventional wisdom, my investing principles hold that returns should be maximized by taking on very little absolute risk, a way of thinking that defies the prevailing logic: “more risk, more reward”.*

*Uncertainties, Risk Wisdoms, Margin of Safety, Macro or Micro Risks, emotional biases.*

*Books:*

*Thinking Fast and Slow by Daniel Kahneman and Fooled by Randomness and Black Swan by Nassim Taleb.*

***Class four:***

***Presentation 1***

*20% of the class focuses on how someone becomes a value investor and making a presentation on that topic; 20% focuses on how value investors manage risks; 20% focuses on the failures and mistakes of value investors; 20% talks about how to know a business and how to value businesses; 20% presents on what core qualities that value investors have.*

*The presentation will be no more than 10 minutes and should strictly focus on your given topic. (Slides are a must!)*

## ***Class five:***

*How do we know businesses and how do we value businesses?*

*This is a most important element for value investing. Yet, it is so badly done and overly neglected.*

*Business models? Predictability? Moat? Earnings? Free cash flow? Management? Industry? Competitiveness?*

*We would be talking in groups about how to spot durable competitive advantages, to recognize great management and to forecast huge or increasing earnings' growth. A 'durable' advantage means the ability to keep its current market share and continually expand it in the future. We will talk about the qualitative side of the business including business model, the brand and the culture.*

*How does one spot a great business?*

## ***Class six:***

*Group discussions about the 'price and value' of a business or a share and about 'Value and Growth'.*

*Valuation Framework.*

*Valuation Exercise.*

*How do we value a business? We will be looking at a few valuation models. The point will be made that simpler models should be adopted and may perform well over a long period of time.*

*How does a business create value?*

*What is Intrinsic Value?*

### ***Class seven:***

*Introduction to Mr. Market and How to Think About Markets.*

*How does the stock market work?*

*Ben Graham thinks “in a short term the market is a voting machine, but over the long term it is a weighing machine”.*

*Consensus in the stock market is usually wrong. The peak of optimism is often the beginning of a declining market. The bottom of pessimism is often the start of a rising market. The market can behave in odd ways as perceived by participants. Sometimes, it is stupid and crazy. Sometimes, it is wise and smart. The market moves between extremes. It is the way human beings think and their judgments that dominate the market. There is a pattern how human beings behave in a group and history thus repeats itself. On both personal and collective levels, the snowball*

*effect in numbers and over time can change the market on a dime. Eventually, it is psychology or sentiment that leads to panics and recessions, madness and exuberance.*

*How do value investors efficiently look for and find value investing opportunities?*

*The behaviors of different Groups of Institutional Investors.*

*The typical behaviors of Retail Investors.*

*What are smart behaviors and how do we develop them?*

***Class eight:***

*What is the thinking process for a value investor's deciding on a buy or a sell?*

*How does one time the market? Warren Buffett claims that he does not try to time the market. However, from the public remarks he has made about the market, he is a master!*

*How does Warren Buffett time the market?*

*The Entry Strategy and the Exit Strategy.*

## ***Class nine:***

### *THE Principles of the Graham-Buffett Value Investing System.*

#### *Portfolio Construction - The Whole System Thinking*

*There are so many ways of investing. However, one needs to identify systems that work, figure out their essence and learn to apply them. The system comes into being this way. Building a system is a process of questing for essence and truth, keep applying it after finding it.*

*The system describes a certain way of thinking and acting. It can be a philosophy and a set of rules. It can be condensed to a checklist, the key elements to remember and keep running through them while in action. The system should be focused on the constant and fundamental factors, the broad and long-lasting forces, ones that define our times and age.*

*Intelligence is defined as the good senses in "Intelligent investors and Security Analysis".*

*What are the deep smarts for successful value investors?*

## ***Class ten:***

The Shining Cases of Value Investing.

Channels and ways of searching for and finding value in any market or time, and especially in the Asian market.

What are the frameworks that great value investors use to find deep value investing opportunities?

***Class eleven:***

*Presentation 2: What is my value investing system based on my learning and practice so far?*

- *What is it?*
- *How is it going to work?*
- *What truth about value investment that I know but most others don't?*

***Class twelve:***

“Value Investing past, present and future.” How will value investing evolve in the USA and Asia? – A comparative study of both markets and value investors.

***Class thirteen:***

*Putting together all we have learned so far.*

*What is NEXT?*

Homework: Essay Writings on two topics of 10.

**Course Assessment:**

<i>Class Participation:</i>	<i>20%</i>
<i>Presentation 1:</i>	<i>20%</i>
<i>Presentation 2:</i>	<i>20%</i>
<i>Class Essay:</i>	<i>40%</i>