

FINC260.090
Stock Evaluation
Spring 2007

Instructor: Paul G. Meeks, CFA, Managing Director & Co-Portfolio Manager, NMH Advisors, LLC (a long/short equity hedge fund focused on small U.S. companies); institutional equity analyst or portfolio manager since 1987; Williams College, BA, 1985; Kellogg School, Northwestern University, MM, 1992

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Description: This course teaches the basics of evaluating companies for equity investment. It'll be challenging enough for CoC's Investment Club & finance majors, but not too sophisticated for students that have never been to Beatty. Math skills helpful but not required and minimized when possible. Free Net tools demonstrated & maximized. You'll read investment gurus to help develop your style, learn to screen for ideas, interpret financial statements, value stocks & identify winners (potential buys) & losers (potential short sales). You'll use what you learn to manage your money whether or not you study or ever work in finance. This 3-credit class is taught by Paul Meeks a Wall Street veteran, local hedge fund manager & TV, radio & newspaper financial commentator. It meets at **Tate 132** on **Tuesdays** at **4-6:15PM**.

Typical class schedule: 4:00-4:05, attendance; 4:05-4:25, quiz; 4:25-4:35, break; 4:35-5:35, lecture; 5:35-5:45, break; 5:45-6:15, lecture continued, practical examples & Q&A

Premise: 15 2.25-hour sessions including mid-term but excluding final; approx 2 hours of homework/week; 5 texts; lecture with questions on the fly; office hours by appointment at 14 North Adger's Wharf; open to all students sophomore & up

Requirements: For me, Net access & an overhead, plug-in screen for laptop; for students, Net access at their (or at some) seats (preferred but not mandatory), a basic (scientific isn't necessary) calculator & an e-mail address

Grades: On a difficulty scale from 1 (least) to 10 (most), this is a 7. My purpose is to build confidence in even non-finance students so that they will use these tools for life.

- 5% attendance (12/14 lectures attended to earn it or lose it all – roll call)
- 5% class participation
- 10% quizzes associated with the assigned readings
- 30% mid-term
- 50% final

- A: 90% - 100%
- B: 80% - 90%
- C: 70% - 80%
- D: 60% - 70%

Texts: The Essays of Warren Buffett: Lessons for Corporate America, Lawrence Cunningham, 256 pages; Financial Statement Analysis: A Practitioner's Guide, 3rd Edition, Martin Fridson, 396 pages; Financial Shenanigans: How to Detect Accounting Gimmicks & Fraud, 2nd Edition, Howard Schilit, 240 pages; The Investor's Guide to Technical Analysis, Curt Renz, 160 pages; The Book of Investing Wisdom: Classic Writings by Great Stock-Pickers & Legends of Wall Street, Peter Krass, 498 pages

Total text pages: 1,550, but sections in some books will be omitted

Curriculum outline:

Lecture 1, January 9: Building a Foundation – Debunking Wall Street Myths & Sharing Practical Insights

Lecture 2, January 16: Studying the Greats to Formulate Your Investment Style

Homework: Read Krass Parts I & II

Lecture 3, January 23: Studying the Greats to Formulate Your Investment Style

Homework: Read Krass Parts III & IV

Lecture 4, January 30: Lessons from the Value Guru (Buffett)

Homework: Read 1st half of Cunningham

Lecture 5, February 6: Lessons from the Value Guru

Homework: Read 2nd half of Cunningham

Lecture 6, February 13: Introducing Financial Statements

Homework: Read Fridson chapters 1-4

Lecture 7, February 20: Delving Into Financial Statements

Homework: Read Fridson chapters 5-7, 13

Lecture 8, February 27: Mid-Term Exam

Lecture 9, March 6: Financial Shenanigans – Avoiding Portfolio “Torpedoes”

Homework: Read Schilit Part I, chapter 3 & Part II

Lecture 10, March 13: Financial Shenanigans – Avoiding Portfolio “Torpedoes”

Homework: Read Schilit Parts III & IV

Lecture 11, March 20: Company Valuation

Homework: Read Fridson chapters 8, 12, 14

Introduce discounted cash flow valuation formula & show how Meeks’s NMH Advisors applies it to value stocks using Applied Finance Group’s brief & detailed cash flow forecasting models – in-class web tutorial – what’s in Google’s stock price?

Lecture 12, March 27: Technical Analysis to Time & Determine the Pace of Trades

Homework: Read Renz chapters 1-7

Lecture 13, April 3: Technical Analysis to Time & Determine the Pace of Trades

Homework: Read Renz chapters 8-12, 14

Lecture 14, April 10: Wrapping Up: Pick a Winner (Long)

In-class case studies on the web using our learned tools

Lecture 15, April 17: Wrapping Up: Pick a Loser (Short)

In-class case studies on the web using our learned tools

Final Exam