

Value Investing Certificate – Course Overview

The Value Investing Certificate is a two week course on the *Value Investing* principles. We will use *fundamental analysis* to estimate the *intrinsic values* of stocks and then compare these with market prices.

The course will cover the tools and methods to assess intrinsic asset values based on tangible and intangible assets, as well as sustainable earnings power.

Classes are spread over six evenings of three hours of instruction each. We will meet on Tuesdays and Thursdays at 18:30 on the Limpertsberg campus of the University of Luxembourg, where free parking will be available. The course consists of lectures, homework assignments, case studies, and panel discussions with value investors. All materials are included in the course fee. The preliminary schedule is as follows:

March 12th: Introduction, overview and terminology

In the first session we will learn what are shares of common stock, how they are traded and where their value comes from. The very short answer is that a stock is an ownership share of a business. We will thus study how a business operates and how it generates value for its owners. We will look at companies through an investor's eyes, and distinguish *Value Stocks* and *Growth Stocks*. We will also see how stock markets work, discuss the *Efficient Market Hypothesis*, and give an overview of the historical evidence on different investment strategies, paying particular attention to the *Value Investing* strategy.

March 14th: Financial Statement Analysis

In this session we will learn how to read financial statements, and how we can use them to better understand the value of a firms' assets and liabilities. We will see how financial statements have to follow widely accepted rules (the International Financial Reporting Standards, or *IFRS*), and learn how to use financial statements to assess a company's profitability, solvency, and earnings quality. We will in particular study the most important assets and liabilities of corporations, and will see that their intrinsic values can deviate substantially from reported values.

March 19th : Enterprise Valuation

In the third session we will see how investors and analysts can value businesses as a *going concern*. We will discuss the *Multiple Valuation* method and variations of the *Discounted Cashflows* method. A key topic will be the discount rate at which projected cashflows are capitalized. We will see that it is determined by risk, liquidity, and other factors. If time permits, we will discuss option valuation and adjusted present value.

March 21st: Taking the Theory to the real world: Case studies and real world investment analyses

In this session, participants will present their own valuations and investment recommendations to a panel of practitioners and fellow participants. Through discussion and coaching we will learn how to put the theory to the test. This is important, because investing is not a science but an art, and art that we can only learn through practice and interaction.

March 26th: Qualitative factors: Management, Strategy, Comparative Advantages

Although valuing businesses is a quantitative exercise, many qualitative aspects need to be taken into account. We will discuss the importance of management and corporate governance. We will also look at how corporations are able to earn returns on invested capital that are higher than the cost of capital. We will see that the key to this lies in the firm's comparative advantages vis-a-vis its competitors, and its negotiation power in its relationships with clients and suppliers.

March 28th: Value Investing in practice: Screening, Analysing, Selecting

In the final session we will investigate how we can best screen for stocks in a world where there are many investment opportunities, but time to analyse them all is scarce. We will compare "Top-Down" and "Bottom-Up" screening strategies, and hear from professionals how they screen, analyze and select stocks. We will discuss when to sell stocks, and cover portfolio management in its widest sense.

April 23rd: Conferment of Certificates, Drinks and a mini-conference

The first but hopefully not the last reunion of the participants. We plan to grow this event in future events to which you will be invited as long as the programme continues..

