



Course Title: Fundamentals of Investing

Instructor: Rahul Bhasin, Deepali Singh

Credits: 4

Course Sessions: 26

Course Audit: Permitted

Course Description

The course helps expose the participants to both the practical considerations as well as the underlying theoretical constructs to explore the world of investments and returns. Students will get a framework to make and manage investments both personally and professionally.

The course is organized into four modules:

Module 1: (session 1 to 10)

The objective of this module is to expose students to the different kinds of investment options available to be able to discern the relevance, relative attractiveness and the potential payoffs and risks associated with different asset classes. Market and personal psychology influencing investment decisions, technical analysis of different asset classes will also be covered. Ranging from deposits, debt, equity, PE/VC, real estate investments to mutual funds and commodity investing, the module will delineate the different instrumentalities of postponing and enhancing current purchasing power. Relevant concepts of finance will be touched upon from scratch such as accounting, time value of money, discounted cash flows etc.

SESSION 1: INTRODUCTION	Key topics: <ul style="list-style-type: none">- The role and functioning of capital markets- Key capital market participants- Risk-reward for shareholders, dividends, owners of company, subordinated in claim
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	<ul style="list-style-type: none"> - Debt versus Equity: Investors and companies perspective - FRICTO analysis for financing decisions - Impact of different capital structures to be explored through case study / model - Discussion on the current climate and impact on funding - Mutual Funds/Index funds, Alternative investment funds, Hedge funds <p><u>Readings : Common sense on mutual funds by john C Bogle pages 3 to 32 On Long Term Investing</u></p> <p><u>Group Exercise: Find the appropriate product given a variety of situations</u></p>
<p>SESSION 2,3,4,5: ASSET ALLOCATION AND STOCK PICKING FRAMEWORK</p>	<p>Key topics:</p> <ul style="list-style-type: none"> - Intrinsic versus relative valuation - Overview of the major valuation methods - Different valuation indicators in different sectors and different stages of growth. - Discounted cash flow analysis - Relative valuation - Asset Allocation - Nature of returns <p><u>Readings</u></p> <ul style="list-style-type: none"> - <i>Valuation Basics</i> - <i>The warren Buffet way (Full Book)</i> - <i>Common stocks and uncommon profits by Phillip Fisher (What to buy and What to sell) – Common Sense on mutual funds by John C Bogle pages 33 to 56 on the nature of returns.</i> <p><u>Group Exercise: Book review of The Warren Buffett Way</u></p>
<p>SESSION 6: REAL ESTATE, REITS AND INVITS</p>	<p>Key Topics:</p> <ul style="list-style-type: none"> - Detailed forecast that considers all the various ways a building can generate cash flows. The model will have to factor in such issues as vacancies, rent increases, tenant improvements, lease types, etc. - Calculating cap rates and its limitations as a valuation metrics - Tax as the major driver of value

SESSION 7,8: DERIVATIVES	<p>Key topics:</p> <ul style="list-style-type: none"> - Derivative instruments - Forwards - Futures - Options - Swaps and forward rate agreements (FRA) - Currency forwards and options - Trading Strategies
SESSION 9,10: BEHAVIOURAL FINANCE	<p>Key topics:</p> <ul style="list-style-type: none"> - Investment products and risk and return trade off - Investment Behaviour: Risk averse for gains and risk taking for losses, Emotional reactions, Cognitive Errors, Prospect Theory, Incentive structures - Technical Analysis - Modern Portfolio Theory <p><u>Readings</u></p> <ul style="list-style-type: none"> - <i>Common sense on Mutual Funds: John C. Bogle</i>

Module 2: (sessions 11 to 18)

This module is designed to familiarize students with how political, historical and philosophical experiences influence investment strategy. Social mores, legal and fiduciary corporate architecture, fiscal and monetary policy choices, and priorities affect growth and profitability and the overall investment environment. Such an impact will be explored and integrated into the current market context along with possible direction of policy choices and implications.

For example, the role of technological innovation and disruption will also be explored in terms of how it will change the consumer and market scenarios , market structures , competitive dynamics and profitability of businesses. Historic impact of innovation and its cascading implications will also be explored. One such sector will be picked and deliberated upon during class hours to illustrate the scenario building methodology and the investment implications. Last year, the policy and investment implications of environmental degradation were explored by dividing students into smaller groups for discussion and presentation.

The session will be wrapped up by tying in the likely policy mix, regulatory wrap, current

market architecture to explore the attractiveness of multiple sectors by donning an investor's lens.

SESSION 11: CORPORATE GOVERNANCE	https://economictimes.indiatimes.com/opinion/et-commentary/who-killed-the-retailinvestor/articleshow/11845310.cms?from=mdr
SESSION 12,13,14: GOVERNMENT POLICIES AND IMPLICATIONS ON ECONOMIC GROWTH	<p>The first two sessions will constitute class group analysis on ideal taxation structure, ideal government spending priorities, political/societal implications and consequences on corporates and investment returns.</p> <p>The third session would include the class's own recommendations on what else the government could do to improve its own effectiveness and efficiency and initiatives to accelerate growth, its likelihood and implications on investment returns.</p> <p><i>Readings:</i></p> <ul style="list-style-type: none"> - Angus Maddison's map of economic growth. http://www.businessworld.in/article/Broad-Charities-Vs-Basic-Duties/08-11-2014-52494/ - The birth of plenty” by William J Bernstein chapter 1, A - Hypothesis of wealth. Pages 9 to 50 - This Time is Different by Carmen M Reinhart & Kenneth S Rogoff...Preface only - Article on the forgotten man by William Graham Sumner.
SESSION 15,16: TECHNOLOGY INNOVATION	<p>Disruption will also be explored in terms of how it will change the consumer and market scenarios, market structures, competitive dynamics and profitability of businesses implications will also be explored.</p> <p>Tony Seba's talk about disruption. https://www.youtube.com/watch?v=Kj96nxtHdTU</p> <p>The education sector which the students will be familiar with will be explored in detail to illustrate</p>

	the scenario building methodology and the investment implications.
SESSION 17,18: ENVIRONMENTAL DAMAGE, SUSTAINABILITY IMPERATIVES	<p>Environmental damage, climate change consumer proclivities and their consequences and the policy and investment implications of the same will also be explored.</p> <p>https://www.financialexpress.com/opinion/achieving-sustainable-growth-make-sustainability-the-focus-of-policy/2214160/</p>

Module 3: (sessions 19 to 20)

This module focuses solely on investment returns and profitability. It tries answering questions such as how does a firm compete? What drives its profitability? Is the profit sustainable? In the process different competitive strategies, different ways in which firms are organized, their effectiveness, efficiency, and optionality are explored.

SESSION 19,20	<ul style="list-style-type: none"> - Hayek’s implications on cost curves and Ronald Coase’s theory of the firm and Bruce Hendersons experience curve dynamics, - Porter’s diamond and competitive strategies. - Class group presentations on chapter 3 “How Profit Happens” pages 35 to 70 of The Profit Zone by Adrian Slywotzky and David Morrison.
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Module 4: (sessions 21 to 25)

This module will weave the learnings of the course through:

SESSION 21: THE VENTURE CAPITAL INDUSTRY	<ul style="list-style-type: none"> - Risk return trade-offs, staggered investing, key terms of partnership, key challenges and opportunities. - PE minority investing/Pipes.
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SESSION 22,23,24: LEVERAGED BUYOUTS AND GROWTH BUYOUTS	<ul style="list-style-type: none"> - Issues challenges and opportunities connected with an actual buyout transaction through a series of small connected case studies. (TAP Dancing)
SESSION 25: DATA AND PLATFORM BUSINESS	<ul style="list-style-type: none"> - Examination of the business models, valuation attractiveness and appositeness of new age Indian companies like Zomato, Paytm, Nayka etc in prevailing circumstances. Wrap up.

Course Format/Pedagogy

The course will be delivered through a mix of online classes and quizzes, case discussions, assigned articles, book reviews, lectures and in-class activities.

Evaluation (only best four will be used for grading)

- 25% - Class participation
- 25% - Quizzes
- 25% - Individual Homework Assignments
- 25% - Group Project
- 25% - Book reviews

Learning Objectives

At the end of the course students will be able to

- Assess alternative investments instruments and aptness in different contexts
- Understand macro and micro factors which drive investment returns
- Begin to think about the difference in value in price and think of the world in terms of multi factor determined stochastic outcomes
- Understand the importance of investing in financial assets and get started on their own personal financial investment plan for the future

About the Faculty

Rahul Bhasin is the Managing Partner of Baring Private Equity Partners India and a Senior Partner and Global Board Member of Baring Private Equity Partners (BPEP) International. Rahul is also a member of the Investment Committee at Baring Vostok Capital Partners and has also been an advisory board member of the ING group in India. He serves on the boards of various companies funded by Baring in India, partnering with the entrepreneurs and

senior management for building and growing their businesses. He has served as the Chairman of Mphasis BFL Limited and oversaw its transformation from a loss making to a profit making company, introduced transparency and corporate governance, facilitated a management change and drove a consolidation and bulking up strategy. The company enjoys a market cap in excess of \$ 3.0 billion.

Prior to Baring, Rahul was part of the Asset Allocation Committee of Global Asset Management Group at Citibank, London. Besides his experience in the developed markets, he has actively invested in the emerging markets in Latin America, Eastern Europe, Russia, Asia and India. In addition to equity markets, he has also managed a portfolio of derivative securities in the developed markets. Prior to moving to London, he was the youngest Independent Treasurer at Citibank for Northern India. Rahul is an MBA from the Indian Institute of Management, Ahmedabad.

Deepali Singh holds an MBA with Honors from the Wharton School, University of Pennsylvania. She has taught corporate finance (accounting, modeling, valuation, M&A etc.) at several leading banks and financial services firms across the globe. Prior to her teaching role, she worked in the Investment Banking Division of Credit Suisse based in London. She has led analyses and developed models for M&A, leveraged buyouts, equity valuations for telecom and media clients across Europe, Russia, The Middle East and Africa. She has also worked as a credit rating analyst with JP Morgan and Standard and Poor's

STANDARD COURSE POLICIES

Academic Honesty and Plagiarism:

The best learning communities are characterized by a commitment to integrity in academic standards and professional conduct. Students are expected to understand and abide by the campus Code of Academic Integrity. I will be using the Turn-it-in software provided by the university to detect plagiarism. If the software detects plagiarism in your work, you will lose the entire grade component for that assignment and depending on whether this is the first time or a repeat offense, the citation of plagiarism (that includes copying in an examination) will be reported to the Office of Academic Affairs. Please make sure you are well versed with what constitutes plagiarism and how to avoid it. For example, copying verbatim and including the citation in the references is still plagiarism. Similarly, circulating the same essay for different courses is plagiarism. There are no acceptable excuses for failure to maintain academic honesty.

Academic Accommodations:

Students requiring specific academic accommodations should contact me with the appropriate documentation from OAA and/or OLS during the first week of the semester. If you need accommodations, I strongly encourage you to not wait till the week of the assessment/exam. Please reach out to the OLS as soon as possible and we will do our best

to support you. I will not be able to offer accommodations if I do not have the required documentation. I will also not be able to support any last-minute requests for extensions, exceptions and/or other accommodations.