

**SPRING 2005**  
**FINA 391 SECURITY ANALYSIS**

**Course Coordinator**

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**Introduction**

The objective of the course is to give HKUST students hands-on experience in writing research reports on companies. Students can learn the research report writing skills through teaching sessions conducted by market participant and lectures by guest speakers. This will give them an advantage in the competitive finance industry nowadays.

**Target Students**

The class will be available to students majoring in finance, with priority given to the third year students who have completed the FINA 321 Valuation course.

**Class Format**

There is no formal lecture. Mr. Henry Hui, a HKUST alumni and a market participant, is the guest instructor and will conduct a few teaching sessions and help the course instructor to assess the student performance. Guest speakers will be invited to share their research writing skills and careers with students. A library session will also be arranged to assist students mastering information collection techniques.

**Class Venue and Meeting Time**

Classes will be held on Saturdays from 10:30am to 12:20pm in Room 2503.

## Textbook

There is no textbook for this course. The following books are recommended if you want to learn more about the art of investing:

	Name	Author
1	One up on Wall Street : how to use what you already know to make money in the market / Peter Lynch with John Rothchild	Peter Lynch
2	Beating the Street / Peter Lynch with John Rothchild	Peter Lynch
3	Learn to Earn	Peter Lynch
4	The intelligent investor : a book of practical counsel	Benjamin Graham
5	Security analysis	Benjamin Graham
6	Liar's poker : rising through the wreckage on Wall Street	Michael Lewis
7	Buffettology : the previously unexplained techniques that have made Warren Buffett the world's most famous investor	Mary Buffett & David Clark
8	EQ	Danni'er Gaoman
9	Rich dad, poor dad : what the rich teach their kids about money, that the poor and middle class do not!	Robert T. Kiyosaki with Sharon L. Lechter
10	Of permanent value : the story of Warren Buffett	Andrew Kilpatrick
11	Elliott wave principle : key to stock market profits	Frost and Prechter
12	原氏物語 (第一冊) (第二冊)	原復生
13	A random walk down Wall Street : including a life-cycle guide to personal investing	Burton G. Malkiel
14	小投資者心經 (1,2)	曾淵滄
15	Warren Buffett's Letters To Berkshire Shareholders 1977 - 2001	<a href="http://www.berkshirehathaway.com">www.berkshirehathaway.com</a>

## Assignments

Students need to form a group of 4 to 5 members to write research report on a company listed on the Hong Kong stock exchange. Students are free to choose a target company from the main board or the Growth Enterprise Market, except for HSBC Plc, Cheung Kong Holdings Limited, Hutchison Whampao Limited, Sun Hung Kai Properties Limited and China Mobile (HK) Limited.

All groups are required to submit a softcopy of the research report by April 30, and the report will be distributed to the rest of the class. The presentation will take place on May 7 and 14. Each group is required to conduct a 20 minute presentation, with each group member being required to participate. This will be followed by Q&A. For each group (“analyst group”), there will be another group (“client group”) which is assigned the responsibility of studying the written report more carefully and playing a more active role in the Q&A session. The “client group” needs to come up with a recommendation report (no more than two pages), in which they have to decide whether to adopt the buy/sell recommendation of the “analyst group”, and provide the reasoning. The client recommendation report is due by May 31.

To help planning, students are required to write a 1-page interim report introducing the company they have chosen for research and their research methodology. This interim report is to be handed on Mar 19.

Any signs of extensive copying from the published research reports might constitute dishonesty and be penalized heavily. Students may refer to the format and methodology of published reports but the data collected and presented in student work are subject to checking.

## Grading

The course carries 2 credits and grades will be awarded. The grade will be based on the attendance and assignments as follows:

Class participation	15%
Research analyst report:	
Group work	
- Write-up:	40%
- presentation:	10%
- Individual presentation	5%
Client recommendation report	10%
Peer evaluation from group members	<u>20%</u>
Total	<u>100%</u>

## Class participation

Class participation includes attendance and willingness to raise questions during the class. As the course involves a lot of guest lectures given by outside speakers, students are highly encouraged to participate in the course actively by raising questions. In order for us to keep track of your class participation, we will do two things:

### *Small index card with your photo*

I will distribute blank index cards to you. Please paste your recent photo on the index card, put down the following information (name, student id, email, major, preferred job), and return it to me in the second week.

### *Name card*

At the beginning of each class, please collect the card with your name and put it in front of you. At the end of the class, please return it to us so that we can keep track of your attendance. There will be no seat assignment. However, after a couple of weeks, I hope that you will try to occupy the same seat every time.

## Research report

The research report is done in groups of 4 to 5 members. Please hand in one copy of the write-up with names of all group members. At the end of the course, you will evaluate each of your group members on the contribution they made to the report. The followings are the criteria the instructor will use in grading the research report:

- Quantity and quality of information being collected
- Methodology and calculations
- Soundness of the assumptions and logic of the arguments
- Presentation and writing

## **Conduct**

Since there are several guest lectures delivered by industry speakers, students should be aware that their behavior outside will always reflect on HKUST reputation. It is therefore very important for all the students to behave properly and professionally when attending the class sessions. For example, you should attend the class on time, raise questions politely, turn off your mobile phones, and should not talk to each other and cause disruptions to the class.

### **Class schedule (Tentative)**

Feb 5	Course Overview
Feb 12	The Art of Investing/Valuation technique – Henry Hui
Feb 19	Electronic sector – Joseph Ho (DBS)
Feb 26	Properties - Carmen Tang (Lehman Brothers)
March 5	China infrastructure and transportation – Lilian Leung (Macquarie)
March 12	Venture capital valuation - Dr. Casey Lim (HKUST)
March 19	Technical/Quantitative analysis - Henry Hui (Interim report due)
March 26	No class - Easter Holiday
April 2	?? – Michael Chung (Iventure Investment Management)
April 9	No class
April 16	Q & A – Henry Hui
April 23	No class
April 30	No class - Research analyst report due
May 7	Presentation I (class might start earlier)
May 14	Presentation II (class might start earlier)
May 31	Analyst recommendation report due

\*A compulsory library session will be arranged in a weekday in Feb.

## Peer Review Form for Group Assignments

Name of peer reviewer					
Name of group member being evaluated					
Disagree			Agree		
1	2	3	4	5	Works well with group and treats all group members as colleagues
1	2	3	4	5	Completes individual task requirements to achieve group goals
1	2	3	4	5	Attends all group meetings or provides advance notice when absent
1	2	3	4	5	Is open to feedback, listens to considers other's point of view
1	2	3	4	5	Offers ideas and alternative approaches on how to achieve group goals. Encourages innovative thinking

1. Would you like to work with this person again? \_\_\_\_\_

2. Evaluate this group member overall on a scale of 1 to 10 (10 being the highest): \_\_\_\_\_

3. Evaluate yourself overall on a scale of 1 to 10 (10 being the highest): \_\_\_\_\_