

**College of Commerce**  
**National Chengchi University**  
**Spring 2008**

357934001 Topics in Investments  
Tuesday 09:10AM – 12:00AM  
Room: 研究 250308  
Email: [ysshui@nccu.edu.tw](mailto:ysshui@nccu.edu.tw)

Instructor: 徐燕山  
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**Course Description :**

This course (Topics in Investments) will cover three investment topics relevant to institutional investors' investments: financing new venture, hedge funds, and strategic asset allocations. The prerequisite for this course is a passing grade in a graduate-level course of Investments. As the scope of financing new venture is quite broad, this class will focus on valuation and private equity market. The second topic is about hedge fund strategies, some of which will be thoroughly examined, coupled with articles and cases. Finally, we will examine the investment policy of institutional investors and the procedures they adopt to set their strategic asset allocation.

**Reading Materials and Cases:**

There is no textbook required. The reading material for this class is a collection of articles and notes. Also, we will adopt the HBS cases and notes for our class, and each student has to pay around NT\$70 per case or note. I will provide you additional reading articles whenever they are deemed as appropriate to this class.

**Class Schedule:**

**Week 1: Opportunity recognition; Business plan; Group formation**

Readings:

Timmons, Jeffery A. (1999), "The Opportunity: Creating, Shaping, Recognizing, Seizing," chapter 3 in *New Venture Creation*, 5<sup>th</sup> edition, McGraw-Hill.

"Some Thoughts on Business Plan," HBS note 9-897-101.

**Week 2: Valuation**

Readings:

Kolplin, Sarin, and Shapiro, "The Private Company Discount," *Journal of Applied Corporate Finance*, Vol. 12, No. 4, Winter 2000, pp. 94-101.

Kaplan, S. N., "The Market Pricing of Cash Flow Forecasts: Discounted Cash Flow vs. the Method of 'Comparables'," *Journal of Applied Corporate*

*Finance*, 1996, 8, pp. 45-60.

“A Note on Valuation in Private Equity Settings,” HBS note 9-297-050.

### **Week 3: Real option**

Case:

“Car Wash Partners, Inc.,” (Roll-up Strategy) HBS case 9-299-034.

Readings:

Damodaran, A., “The Promise of Real Option,” *Journal of Applied Corporate Finance*, Summer 2000, pp. 29-44.

Copeland, Koller, and Murrin, Chapter 15 on *Real Option Valuation*.

Luehrman, T. A., “What’s it worth?” *Harvard Business Review*, 1997, 132-142.

### **Week 4: Introduction to the Private Equity Market**

Case:

“Parenting Magazine,” HBS case 9-291-015.

Reading:

Fenn, G.W., N. Liang, and S. Prowse, “The Economics of the Private Equity Market,” Board of Governors of the Federal Reserve, 1995, Chapters 2-3.

Yau, J. K., T. Schneeweis, T. R. Robinson, and L. R. Weiss, “Alternative Investments Portfolio Management,” chapter 8 in *Managing Investment Portfolios*, editors: Maginn, J. L., D. Tuttle, J. E. Pinto, and D. W. McLeavey, 2007. Read section 4.

### **Week 5: VC vs. Entrepreneurs**

Case:

“Walnut Venture Associates (A),” HBS case 9-899-062.

Reading:

Fenn, G.W., N. Liang, and S. Prowse, “The Economics of the Private Equity Market,” Board of Governors of the Federal Reserve, 1995, Chapter 4.

Gorman, M. and W. A. Sahlman, “What Do Venture Capitalists Do?” *Journal of Business Venturing*, 1989, 4:231-248.

### **Week 6: Term Sheet**

Case:

“Walnut Venture Associates (D),” HBS case 9-899-097.

Reading:

Fenn, G.W., N. Liang, and S. Prowse, “The Economics of the Private Equity Market,” Board of Governors of the Federal Reserve, 1995, Chapters 5-7.

### **Week 7: IPO Decision**

Case:

“Hotmail Corporation,” HBS case 9-899-165.

Kensinger, J. W., J. D. Mastin and J. W. Petly (2000), “Harvesting Value from Entrepreneurial Success,” *Journal of Applied Corporate Finance* (Winter), 81-93.

Lerner, J. (1994), “Venture Capitalist and the Decision to Go Public,” *Journal of Financial Economics*, 35, 293-316.

### **Week 8: IPO process**

Case:

“CML Group, Inc. (A), (B), (C),” HBS case 9-285-003.

Reading:

Benveniste, L.W., and W. J. Wilhelm (1997), “Initial Public Offerings: Going by the Book,” *Journal of Applied Corporate Finance* (Spring), 4-14.

Kim, M. and J. Ritter (1999), “Valuing IPOs,” *Journal of Financial Economics*, 53, 409-438.

### **Week 9: Midterm review**

Cases:

“Amazon.com – Going Public,” HBS case 9-899-003

### **Week 10: Midterm**

### **Week 11: An introduction to hedge fund strategies**

Readings:

Yau, J. K., T. Schneeweis, T. R. Robinson, and L. R. Weiss, “Alternative Investments Portfolio Management,” Chapter 8 in *Managing Investment Portfolios*, editors: Maginn, J. L., D. Tuttle, J. E. Pinto, and D. W. McLeavey, 2007. Read section 6.

Baker, Malcolm, and Serkan Savasoglu, 2002, “Limited Arbitrage in Mergers and Acquisitions,” *Journal of Financial Economics*, 64, 91-115.

Mitchell, Mark, and Todd Pulvino, 2001, “Characteristics of Risk and Return in Risk Arbitrage,” *Journal of Finance*, 56, 680-706.

### **Week 12: Risk diversification/control**

Case:

“Risk Arbitrage: Abbott Lab and Alza (A),” HBS case 9-203-003.

Readings:

Mitchell, Mark, Todd Pulvino, and Erik Stafford, 2002, “Limited Arbitrage in Equity Markets,” *Journal of Finance*, 57, 205-220.

Ennis, R. M., and M. D. Sebastian, 2003, "A Critical Look at the Case for Hedge Funds," *Journal of Portfolio Management*, summer, 103-112.

Mauldin, John, 2006, "Evaluating Hedge Funds: The Due Diligence Process," chapter 9 in *Absolute Returns*.

### **Week 13: Portfolio objective/ Investment policy**

Case:

"Strategic Capital Management, LLC (A)," HBS case 9-202-024.

Readings:

Strong, Robert A., 2006, *Portfolio Construction, Management, and Protection*, 4<sup>th</sup> edition, South-Western College Publishing, chapters 4 and 5.

Tschampion, R. C., L. B. Siegel, D. J. Takahashi, and J. L. Maginn "Managing Institutional Investor Portfolios," chapter 3 in *Managing Investment Portfolios* edited by Maginn, J. L., D. Tuttle, J. E. Pinto, and D. W. McLeavey, 2007.

### **Week 14: Asset allocation**

Case:

"Investment Policy at New England Healthcare," HBS case 9-204-018.

Readings:

Sharpe W. F., P. Chen, J. E. Pinto, and D. W. McLeavey "Asset Allocation," chapter 5 in *Managing Investment Portfolios* edited by Maginn, J. L., D. Tuttle, J. E. Pinto, and D. W. McLeavey, 2007.

### **Week 15: Strategic asset allocation process**

Case:

"The Harvard Management Company and Inflation-Protected Bonds," HBS case 9-201-053.

Readings:

Swensen, David, 2000, "Asset Allocation," chapter 5 in *Pioneering Portfolio Management*, The Free Press.

### **Week 16: Final review**

Cases:

"Investment Policy at the Hewlett Foundation," HBS case 9-205-126.

### **Week 17: Final exam**

**Grading Policy:**

The final grade will be determined as follows:

Case written reports	30%
Class participation	10%
Mid-term	30%
Final Exam	30%

**Course Requirements:**

The course requirements consist of several case studies, an in-class mid-term, and a final exam. For case studies, each student should prepare a short written report which should be no more than two pages (plus tables etc) and be handed in at the beginning of the case discussion. I encourage you to form a group of three to five to discuss the case questions assigned. However, each student should prepare his/her written report by himself/herself.

**Assignment 1:**  
**Topics in Investments Student Data Sheet**

**To be returned by March 4. This counts as much as the case reports you will be handing in.**

Name \_\_\_\_\_

Email address \_\_\_\_\_

Previous working experiences (if any)

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Main reasons for taking this course (if any)

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Please include below a small photo of yourself.

