



FORDHAM UNIVERSITY
THE JESUIT UNIVERSITY OF NEW YORK

**Gabelli Center for
Global Security Analysis**

Value Investing Conference, April 22, 2016

Room 2-01A, Fordham Law School
150 W 62nd St, New York, NY 10023

We gratefully acknowledge the encouragement and help we received from
Bruce Greenwald, Tano Santos and Meredith Trivedi
at the Heilbrunn Center at Columbia Business School

Program and Registration details are given below

PROGRAM

- 11:00 am Registration
- 11:30 am Welcome by Dean Donna Rapaccioli
- 11:40 am Prof. Bruce Greenwald
Talk for 30 min; Q&A 15 min
- 12:30 pm Lunch
- 1:00-3:00 pm Paper Session
- Prof. Nicholas Barberis:**
“Extrapolation and Bubbles”
- Prof. Ravi Jagannathan:**
“Dividend Dynamics, Learning, and Expected Stock Index Returns”
- Prof. Kent Daniel:**
“The Cross-Section of Risk and Return”
- 3:00-3:15 pm Coffee Break
- 3:15-4:15 pm Panel Discussion
- Panelists: **Ann Larson** (Bernstein), **Paul Johnson** (Nicusa Capital),
Peter Nesvold (Silver Lane Advisors) and **Alex Matina** (MFP Investors)
- Moderator: Sris Chatterjee
- 4:30 pm Reception and Networking

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Paper Session: Abstracts

Nicholas Barberis: *"Extrapolation and Bubbles"* (with Robin Greenwood, Lawrence Jin, and Andrei Shleifer)

We present an extrapolative model of bubbles. In the model, many investors form their demand for a risky asset by weighing two signals---an average of the asset's past price changes and the asset's degree of overvaluation. The two signals are in conflict, and investors "waver" over time in the relative weight they put on them. The model predicts that good news about fundamentals can trigger large price bubbles. We analyze the patterns of cash-flow news that generate the largest bubbles, the reasons why bubbles collapse, and the frequency with which they occur. The model also predicts that bubbles will be accompanied by high trading volume, and that volume increases with past asset returns. We present empirical evidence that bears on some of the model's distinctive predictions.

Ravi Jagannathan: *"Dividend Dynamics, Learning, and Expected Stock Index Returns"* (with Binying Liu)

We show that, assuming equity markets are perfect and efficient, an asset pricing model that better describes investors' behavior should predict annual stock index returns better. We demonstrate that, when learning about dividend dynamics is incorporated into a long run risk model, the model's ability to predict future stock index returns sees substantial improvement. The out-of-sample R-squared increases from 10.5 percent to 22.4 percent for the period between 1976 and 2013. This supports the view that both investors' aversion to long run risks and learning about these risks play important roles in determining asset prices and returns.

Kent Daniel: *"The Cross-Section of Risk and Return"* (with Lira Mota, Simon Rottke and Tano Santos)

In the finance literature, common practice has been to create "factor portfolios" by sorting on a characteristic associated with expected returns, with the goal of creating a set of portfolios that explain the cross-section of stock returns. This result obtains if and only if the set of factor-portfolios span the mean-variance efficient portfolio. We argue that this is unlikely to be the case, as factor portfolios constructed in this way fail to incorporate information about the covariance structure of returns. By using a high statistical power methodology to forecast future covariances, we are able to construct a set of portfolios which capture the characteristic premia, but hedge out much of factor risk. We apply our methodology to the Fama-French five-factors, and construct a portfolio orthogonal to their factors with an annualized Sharpe-ratio of 0.84.

Presenters:

Bruce Greenwald

Professor Bruce C. N. Greenwald holds the Robert Heilbrunn Professorship of Finance and Asset Management at Columbia Business School and is the academic Director of the Heilbrunn Center for Graham & Dodd Investing. Described by the New York Times as "a guru to Wall Street's gurus," Greenwald is an authority on value investing with additional expertise in productivity and the economics of information.

Greenwald has been recognized for his outstanding teaching abilities. He has been the recipient of numerous awards, including the Columbia University Presidential Teaching Award which honors the best of Columbia's teachers for maintaining the University's longstanding reputation for educational excellence.

Nicholas Barberis

Nicholas C. Barberis is the Stephen & Camille Schramm Professor of Finance at the Yale School of Management. His research focuses on behavioral finance and, in particular, on applications of cognitive psychology to understanding the pricing of financial assets. An award-winning writer, Barberis' articles in academic and other publications have covered the psychology behind the 2007/08 financial crisis, the nature of gambling, biases and preferences, and long-term decision-making.

Barberis earned his B.A. from Jesus College, Cambridge in 1991 and Ph.D. from Harvard University in 1996. He has taught at Harvard, the London Business School, and the University of Chicago. He's been awarded a host of honors and fellowships for his research and teaching.

Kent Daniel

Kent Daniel is a Professor in the Finance and Economics Division at the Graduate School of Business at Columbia University. From 1996 to 2006, Daniel was at the Kellogg School of Management at Northwestern University, where he was the John and Helen Kellogg Distinguished Professor of Finance (on leave from 2004-2006). Previously, he served on the faculties of the University of Chicago and the University of British Columbia.

Between 2004 and 2010, Daniel was with the Quantitative Investment Strategies group at Goldman Sachs Asset Management. In 2005, he became a managing director and head of the QIS equity research effort. He became a co-chief investment officer in 2009.

Daniel's academic research, both theoretical and empirical, has been primarily in the areas of behavioral finance and asset pricing. In addition to other awards, his academic papers received the 1997 and 1999 Smith-Breeden awards for the best paper in the Journal of Finance. He also received the Sidney J. Levy Teaching Award for 1996-1997 and 2000-2001 at the Kellogg School.

Daniel received a B.S. with honors in Physics from the California Institute of Technology in 1981 and an M.B.A. from UCLA in 1987. He received his Ph.D. in Finance from UCLA in 1992.

Ravi Jagannathan

Ravi Jagannathan is the Chicago Mercantile Exchange/John F. Sandner Professor of Finance at Northwestern University's Kellogg School of Management and Co-Director of the Financial Institutions and Markets Research Center at the Kellogg School (1997 - present).

Jagannathan has served on the editorial boards of leading academic journals, and is a former executive editor of the *Review of Financial Studies*. He has served as a member of the Board of Directors of the American Finance Association and the Western Finance Association and is a past President of the Western Finance Association, the Society of Financial Studies, and the Financial Intermediation Research Society. He is a research associate of the National Bureau of Economics Research, a fellow of the Society for Financial Econometrics, and a member of the Board of Directors of the Financial Management Association. He is the President of the Society for Financial Econometrics.

Jagannathan's research interests are in the areas of asset pricing, capital markets, and financial institutions. His articles have appeared in leading academic journals, including *the Journal of Political Economy*, *Journal of Financial Economics*, *Journal of Finance*, and *Review of Financial Studies*. He received the 2014 Graham & Dodd, Murray, Greenwald Prize for Value Investing.

Panelists:

Ann Larson

Ann Larson is Managing Director and Head of U.S. Quantitative Research at Bernstein. She joined the firm in 1994 as a Database Coordinator in the institutional sales department, and moved to the research department in 1995, where she was promoted to Senior Quantitative Analyst in 1999. Her current responsibilities include managing the U.S. Quant Team as well as conducting, publishing and marketing quantitative research, developing global and regional multivariate stock-selection models, and working with institutional clients to implement customized quantitative solutions. Ann earned a BBA in Information Systems and an MBA in Finance from Loyola University in Maryland. She has been named a Top U.S. Analyst in Quantitative Research by Bloomberg Markets magazine.

Paul Johnson

Paul is the founder and investment manager of Nicusa Capital Partners, a private investment partnership that he started in 2003. As an investor, Paul has invested in virtually all sectors of the economy.

Paul Johnson is an Adjunct Professor of Finance at the Fordham University's Gabelli School of Business, where he teaches the graduate course *Seminar in Value Investing*. Paul was appointed as a Fellow to the Gabelli Center for Global Security Analysis at Fordham University in August 2015.

Paul is also an Adjunct Professor at the Graduate School of Business, Columbia University, where he has taught 35 courses since 1992 on securities analysis and value investing to more

than 1,500 students. Paul was granted the *Commitment to Excellence Award* by the 2016 Executive MBA graduating class.

He is co-author of The Gorilla Game, Picking Winners in High Technology, which reached *Business Week's* best seller list and was the number one best-selling investment book on *Amazon.com* for several weeks in 1998. Paul was also a contributing annotator in 2012 to The Most Important Thing Illuminated, by Howard Marks and wrote the history of value investing in the forthcoming book celebrating the 100-year history of the Columbia Business School. He is also co-author with Paul Sonkin of the forthcoming, Pitch the Perfect Investment, The Essential Guide to Winning on Wall Street.

Paul has an MBA in Finance from the Executive Program at the Wharton School of the University of Pennsylvania, and a B.A. in Economics from the University of California, Berkeley.

Alexander Matina

Alexander Matina is Vice President, Investments, at MFP Investors LLC, the family office of Michael F. Price, which he joined in 2007. Prior to that he had various roles at Balance Asset Management, a multi-strategy hedge fund and served as a senior associate at Altus Capital Partners, a middle market private equity fund. Matina was also a principal at 747 Capital, a transatlantic private equity firm, and a financial analyst at Salomon Smith Barney in the financial sponsors group of the investment banking division. Matina currently serves as Chairman of the Board of Directors at Trinity Place Holdings Inc., a publicly traded real estate company, and serves as a director of S&W Seed Company, a publicly traded agricultural company. He received his BS, summa cum laude, from Fordham University in 1998 and his MBA from Columbia University in 2004. He also serves as an adjunct professor of finance at Fordham University.

Peter Nesvold

Peter Nesvold is the COO and Head of Strategy for Silver Lane Advisors, an M&A investment bank that specializes in the financial services industry. He also serves on the Board of the New York Society of Security Analysts (NYSSA), is a judge for the CFA Research Challenge, and is an Adjunct Professor at Fordham University's Gabelli School of Business.

A lawyer, CFA, and CPA by background, Nesvold was previously a Senior Managing Director at Bear Stearns and a portfolio manager/analyst at Lazard Asset Management. In these roles, he was "triple-ranked" by Starmine across three sectors (autos, transports, machinery), and served as one of three managers of Lazard's SMid-cap product, which earned five stars from Morningstar. Nesvold has co-authored four books on M&A for McGraw-Hill, and has published roughly a dozen research studies in professional journals at Stanford, Georgetown, etc.

Nesvold earned a B.A. in Economics from the University of Pennsylvania and a J.D. from Fordham University School of Law (*cum laude*, Order of the Coif), where he was elected Editor-in-Chief of his law journal.

Moderator:**Sris Chatterjee**

Sris Chatterjee holds the Gabelli Chair in Global Security Analysis in the Gabelli School of Business. He received the B. Tech Degree in Mechanical Engineering from the Indian Institute of Technology (Kharagpur), the Post-Graduate Degree in Management from the Indian Institute of Management (Calcutta), and the Ph.D. in Finance from Columbia University.