

FIN450: Applied Portfolio Management
17-Sept-2007 Class Summary

What to do every day in order to be prepared for class

- Keep up on current events by reading newspapers, ie Barrons, WSJ, , New York Times business section, check the APM website and blackboard often.
- Check out Thomson Financial on portfolio companies
- If there is going to be a guest speaker, read their biography
- Keep up on your individual company. If there is an urgent development, inform the class, TA's and Prof. Shenoy
- When deciphering news, determine if it's "an ant on an elephant"
- There is a check list you can follow in the syllabus to make sure you are ready to go for class

Market news

- Fed meets tomorrow, Tuesday Sept 18th. Pay attention to results

Short Updates on....

- Ryan Air
- Rio Briefs
- Garmin
- Brooke Corp: Anita now head of Brooke Credit
 - When you find news on portfolio holdings that are important, inform the class
- Golf tournament: Thanks for all those who participated.

Coming up in the schedule

- Presentations next Monday, Sept 24. Q&A of the presentation afterwards
- CEO of Garmin coming in Oct
- Short updates coming up: 2 min to give the lowdown, investment thesis and important facts to the class (This will be in addition to a case for that day)
- Site day will now be on Nov 2nd.

Getting ready for Mark Fleischhauer's conference call

- What questions do you plan on asking? Golden Meditech and other Chinese companies.

-LaunchTech: Car lifts, diagnostics for engines

-How can you make decisions on what to buy when you don't know what is in the portfolio?

Mark Fleischhauer's Conference call

Marks key overview points on Golden Meditech

-It's a complicated stock, look at things from a variety of angles

-\$680M Market Cap, EV: \$500M, high margin business

-Anti corruption campaign in Chinese HealthCare system good for Golden Med

-Cord Blood Bank Segment

-One Child Policy, emotional issue for Chinese, many use bank even when wages are relatively low

-Stem Cell Research: The scope to grow is enormous

-400M to 1B worth

-TangHerb

-Lots have been put in, but nothing but losses have been seen, so far

-Company has long term plans – target AIDS patient, has Govt approval of drugs, Mgmt has experience in medical services. Value segment at least at cost

-Target Market for Bluetooth: Middle class, cell phones are dominant

-Medical systems different in China: Do you spend your savings and save yourself or say you've had a good life and pass that money onto your family

-Know how you value this stock, taking the lower range, the price is near \$5. The upper range you get into double digits

Question and Answer with Mark

-Downside Risks: IPO Window, Anti-Corruption Campaign (short-term)

-AIDS explosion potential, 600,000 patients currently, TangHerb is a great remedy to treat systems and being cost effective.

-Blood Banks and potential saturation. Provinces don't compete; in essence Beijing doesn't compete with Guangdong.

-Tax issues: End of the day, it's fairly negotiable, it's unlikely to increase but don't expect it to go down either. The govt wants to see this sector succeed – especially technology

- Bear Case: Monopoly position, US vs Hong Kong GAAP, NASDAQ listing may be unrealistic
 - Hong Kong exchange doesn't want to see Golden Meditech list somewhere else
- PYPO acquisition, 3G technology
- Penetration Rate, Guangdong will overtake Beijing in revenue
- The Guangdong Bank: opened in May, company expects to wrap up operations more effectively from experience in Beijing
- LaunchTech
 - Core of their business: automotive diagnostic tool, automotive maintenance products

Discussion of Golden Meditech & case write-ups in class...

- Comparison of groups 2008 EBIT, valuation method, (wacc if DCF used)
- Still too many adjectives
- Careful with comparables: If you are comparing Golden Meditech with larger or smaller companies you must make adjustments
- GM and NASDAQ, what happens if GM listed? Kent says Wall Street will value at a higher multiple: "multiple expansion"
- Listing on exchanges, US rated #10 on investor protection. Hong Kong exchange rated #3
- Investment Thesis: What works, what doesn't work, how can we improve...
 - Is something over/under valued and WHY? What are the driving forces?
- Charts and Graphs, and how to make them better
 - Remember these will be printed in black & white, adjust color accordingly
 - Clean up numbers, gridlines
 - Line charts often convey more information in the same amount of space. Combine charts if necessary
- Communicating clearly and effectively

Portfolio Decisions

- We have decisions to make regarding the portfolio but given the level of preparedness of the class, we'll put that off a while.
- Be familiar and comfortable answering questions. Why are they in the portfolio?

Other issues

-Discussion of email sent to students regarding Brooke Corporation misleading the number of franchises

-Oil and Gas Markets

-Capitol Federal

-Kansas City Southern (KSU)

-DT in economy: Freight can be badly hurt. KSU might be a bit insulated from downturns