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Ben Graham Centre
for Value Investing

Ben Graham Centre's 4th Symposium on Intelligent Investing

May 29, 2015
Ivey Spencer Leadership Centre
London, Ontario



IMPROVING LONG RUN INVESTMENT PERFORMANCE

www.bengrahaminvesting.ca



Mission of the Center

To research, teach, apply and promote the style of investing developed by Benjamin Graham in the early 1930s, referred to as Value Investing

Mission of the Symposium

To encourage and support academic research and study in areas related to value investing

Symposium Organizer and Chair

George Athanassakos, Director, Ben Graham Center for Value Investing, Ivey Business School

Scientific Committee

Walid Busaba, Amos Nadler, Saurin Patel and Alessandro Previtero, Ivey Business School





The Ben Graham Centre's 4th Symposium on Intelligent Investing

Friday, May 29, 2015

Morning Agenda: On Market Anomalies

7:45am – 8:20am	Registration & Coffee
8:20am – 8:30am	Welcoming the Symposium Participants, Introductions and Opening Remarks George Athanassakos, Director, Ben Graham Center for Value Investing, Ivey Business School
8:30am – 9:00am	Presenter: Joseph Gerakos Topic: Accruals, Cash Flows and Operating Profitability in the Cross Section of Stock Returns
9:00am – 9:30am	Discussant: TBA Q&A
9:30m – 10:00am	Presenter: Tyler Shumway Topic: Can Individual Investors Time Bubbles?
10:00am – 10:30am	Discussant: Justin Birru Q&A
10:30am – 11:00am	Coffee Break
11:00am – 11:30am	Presenter: Terrence Odean Topic: Which Risk Factors Matter to Investors? Evidence from Mutual Funds
11:30pm – 12:00pm	Discussant: Susan Christoffersen Q&A



The Ben Graham Centre's 4th Symposium on Intelligent Investing

Afternoon Agenda: On Value Investing

12:00pm – 1:00pm	Lunch
1:00pm – 1:30pm	Presenter: Stephen Penman Topic: The Value Trap: Value Buys Risky Growth
1:30pm – 2:00pm	Discussant: Partha Mohanram Q&A
2:00pm – 2:30pm	Presenter: Stijn Van Nieuwerburgh Topic: The Cross Section and Time Series of Stock and Bond Returns
2:30pm – 3:00pm	Discussant: Jonathan Lewellen Q&A
3:00pm – 3:15pm	Coffee Break
3:15pm – 3:45pm	Presenter: Martijn Cremers – Topic: Patient Capital Outperformance: The Investment Skill of High Active Share Managers Who Trade Infrequently
3:45pm – 4:15pm	Discussant: Saurin Patel Q&A
4:15pm – 4:20pm	Closing Remarks



Panel of Presenters & Discussants

The Ben Graham Centre's 4th Symposium on Intelligent Investing offers a panel of speakers and discussants with a proven record of success researching areas related to the field of value investing. Featured presenters & discussants participating at the symposium, in the order they will speak, are:

Morning Session: On Market Anomalies

Joseph Gerakos, University of Chicago

- **Discussant: TBA**

Tyler Shumway, University of Michigan

- **Discussant: Justin Birru, Ohio State University**

Terrence Odean, University of California - Berkeley

- **Discussant: Susan Christoffersen, University of Toronto**

Afternoon Session: On Value Investing

Stephen Penman, Columbia University

- **Discussant: Partha Mohanram, University of Toronto**

Stijn Van Nieuwerburgh, New York University

- **Discussant: Jonathan Lewellen, Dartmouth College**

Martijn Cremers, University of Notre Dame

- **Discussant: Saurin Patel, Western University**



Presenters



Joseph Gerakos

Joseph Gerakos studies the structure of markets for financial services. His current research focuses on competition in the audit market and performance of the asset management industry. Gerakos earned a Ph.D. in applied economics from the University of Pennsylvania, an M.B.A. in finance and accounting from the Wharton School of the University of Pennsylvania, and an A.B. in Russian language and literature from Dartmouth College.



Tyler Shumway

Tyler Shumway is a finance professor at the University of Michigan. Tyler's research examines the structure and function of financial markets and the pricing of financial securities. Some of his recent work concerns bankruptcy prediction and the pricing of corporate bonds, the efficient market hypothesis and the intersection of psychology and finance. Tyler's research is published in the *Journal of Finance*, the *Review of Financial Studies* and the *Journal of Business*. His research also has been featured in numerous business and popular publications, including the *Economist*, *The New York Times*, *Time Magazine* and *The Wall Street Journal*. Prior to teaching at the University of Michigan, he studied finance at the University of Chicago and before attending graduate school, studied at Brigham Young University.



Terrence Odean

Terrance Odean is the Rudd Family Foundation Professor at the Haas School of Business at the University of California, Berkeley. He is a member of the *Journal of Investment Consulting* editorial advisory board, of the Russell Sage Behavioral Economics Roundtable, and of the WU Gutmann Center Academic Advisory Board at the Vienna University of Economics and Business. He has been an editor and an associate editor of the *Review of Financial Studies*, an associate editor of the *Journal of Finance*, a co-editor of a special issue of *Management Science*, an associate editor at the

Journal of Behavioral Finance, a director of UC Berkeley's Experimental Social Science Laboratory, a visiting professor at the University of Stavanger, Norway, and the Willis H. Booth Professor of Finance and Banking and Chair of the Finance Group at the Haas School of Business. As an undergraduate at Berkeley, Odean studied Judgment and Decision Making with the 2002 Nobel Laureate in Economics, Daniel Kahneman. This led to his current research focus on how psychologically motivated decisions affect investor welfare and securities prices.



Stephen Penman

Stephen Penman is the George O. May Professor in the Graduate School of Business, Columbia University. He is also co-director of the Center for Excellence in Accounting and Security Analysis at Columbia Business School. Prior to his appointment at Columbia in 1999 he was the L.H. Penney Professor in the Walter A. Haas School of Business at the University of California at Berkeley. He joined Berkeley in 1977. From 1990-95 he served as Chair of the Professional Accounting Program and Chairman of the Accounting Faculty at Berkeley, and initiated and chaired

Berkeley's Annual Conference on Financial Reporting. His research deals with the valuation of equity and the role of accounting information in security analysis. He has published widely in finance and accounting journals and has conducted seminars on fundamental analysis and equity evaluation for academic and professional audiences. In 1991 Penman was awarded the Notable Contribution to Accounting Literature Award by the American Accounting Association and the American Institute of Certified Public Accountants, and in 2002 was awarded the American Accounting Association and Deloitte & Touche Wildman Medal for his book, *Financial Statement Analysis and Security Valuation*, published by McGraw-Hill/Irwin and now in its 5th edition. His new book, *Accounting for Value*, was published by Columbia University Press in January, 2011. Stephen Penman is an editor of the *Review of Accounting Studies* and served as managing editor from 2002-2006.



Stijn Van Nieuwerburgh

Stijn Van Nieuwerburgh is a Professor of Finance and the Yamaichi Faculty Fellow at New York University Leonard N. Stern School of Business, which he joined in 2003. Professor Van Nieuwerburgh's research lies in the intersection of macroeconomics, asset pricing, and housing. One strand of his work studies how financial market liberalization in the mortgage market relaxed households' down payment constraints, and how that affected the macro-economy, and the prices of stocks and bonds. In this area, he has also worked on regional housing prices and on household's mortgage choice. Professor Van Nieuwerburgh has published articles in the *Journal of Finance*, *Review of Economic Studies*, *Journal of Financial Economics*, *Review of Economic Studies*, and the *Journal of Monetary Economics*, among other journals. He is an Associate Editor at the *Journal of Finance*, the *Review of Economic Studies*, the *Journal of Economic Theory*, and at the *Journal of Banking and Finance*. He is a Faculty Research Associate at the National Bureau of Economic Research and at the Center for European Policy Research.



Martijn Cremers

K.J. Martijn Cremers joined the University of Notre Dame as Professor of Finance at the Mendoza College of Business in 2012. Prior to that, he was a faculty at Yale School of Management from 2002 – 2012 after obtaining his PhD in finance from the Stern School of Business at New York University. Hailing from the Netherlands, his undergraduate degree in Econometrics is from the VU University Amsterdam (1993-1997). Professor Cremers' research focuses on empirical issues in investments and corporate governance. His academic work has been published in top academic journals such as the *Journal of Finance*, the *Review of Financial Studies* and the *Journal of Financial Economics*. His research has also been covered in newspapers like the *Wall Street Journal*, the *Financial Times* and numerous others. He is an Associate Editor of the journal *European Financial Management* (2012-present) and previously was an Associate Editor of the *Review of Financial Studies* (2009-2012) and of the *Review of Finance* (2010-2013). At Notre Dame, he teaches courses on fixed income markets, corporate governance and business ethics to MBA and undergraduate students. His paper "How active is your fund manager? A new measure that predicts performance" (published in 2009 in the *Review of Financial Studies*) introduced a measure of active management named 'Active Share', which is based on a comparison of the holdings of a fund with those of its benchmark. The 'Active Share' measure has become widely used in the financial industry and was e.g. incorporated in Morningstar Direct and FactSet.



Discussants



Justin Birru

Justin Birru is an assistant professor of Finance at the Fisher College of Business at The Ohio State University. His research interests include behavioral finance in the areas of asset pricing and corporate finance. He earned a BS in Finance from the University of Pittsburgh in 2006 and a Ph.D. in Finance from NYU Stern School of Business in 2012.



Susan Christoffersen

Susan Christoffersen is an Associate Professor of Finance at the Rotman School of Management in Toronto and regular visiting scholar to the Copenhagen Business School. Her research focuses on mutual funds and the role of financial institutions in capital markets. She has published in the top finance journals such as the *Journal of Finance*, *Journal of Financial Economics*, and the *Review of Financial and her research has been cited in *The New York Times*, *International Herald Tribune*, *Bloomberg News Service*, and *The Wall Street Journal*. Susan has received grants from SSHRC, IFM2, and FQRSC as well as research awards from Q-Group, Bank of Canada, BSI Gamma Foundation, INQUIRE, and the Swiss Finance Institute. Susan is a past recipient of a three-year term professorship by the Canadian Securities Institute Research Foundation. Susan remains an active member of the academic community serving on the program committee for many of the main finance conferences as well as acting as an associate editor for several finance journals. She also acts as a Board member for a government-funded scholarship program and numerous research institutes in both Europe and Canada.*



Partha Mohanram

Professor Partha Mohanram is the CGA Ontario Professor of Financial Accounting at Rotman. He has published extensively in the area of valuation with an emphasis on financial statement analysis, valuation of growth firms and implied cost of capital. He serves as an editor of *Contemporary Accounting Research* and on the editorial board of *The Accounting Review* and *Review of Accounting Studies*. He teaches advanced electives on business analysis and valuation at the MBA and undergraduate level, and a PhD seminar on valuation. Professor Mohanram joined Rotman after serving on the faculty of Columbia and New York University. He obtained his PhD from Harvard, MBA from IIM – Ahmedabad, and B.Tech from IIT-Madras. He is a CPA-CGA, and a certified board director (ICD.D).



Jonathan Lewellen

Jonathan Lewellen is the Carl E. and Catherine M. Heidt Professor of Finance at the Tuck School and a Research Associate at the National Bureau of Economic Research. He teaches Capital Markets in Tuck's MBA program and Corporate Finance in the Business Bridge program. Prior to joining Tuck in 2005, Prof. Lewellen was on the faculty at MIT's Sloan School of Management. He received a PhD in finance from the University of Rochester. Prof. Lewellen's research focuses on stock prices and investor behavior, with additional interests in corporate finance. He currently studies

the cross section of expected stock returns and the determinants of corporate investment. Prof. Lewellen's research has been published in the Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Financial and Quantitative Analysis, Critical Finance Review, and Journal of Accounting and Economics.



Saurin Patel

Saurin Patel is an assistant professor of finance at Ivey Business School, Western University. His research interests include empirical asset pricing, mutual funds & hedge funds, behavioral finance. Prior to joining Ivey in 2013, Saurin earned a PhD in Finance from McGill University. His current research projects include: on impact of teams of performance and deceptive behavior in mutual fund industry; trading and voting behaviour of mutual funds.



A Message from the Director

I would like to welcome everyone to the Ben Graham Centre's Symposium on Intelligent Investing. This is the fourth Symposium of this nature that the center has organized, now an annual event.

The Centre was formally founded in 2006 and is one of two similar centers in the world that focus on educating future business leaders and investors in the investment style made popular by Benjamin Graham in the early 1930's, referred to as Value Investing.

The Centre serves a critical role in coordinating applied research at the University and in linking the activities of faculty and students with practitioners, primarily in the financial services sector, but also in other industries and in undertaking activities which are mutually beneficial to the University, the Industry and investors in general. The Center is also known as the repository of information on Value Investing, where Value Investors' thoughts, teachings, writings, investing styles and research are preserved. We accomplish this by having built a virtual library on value investing, thanks to the support of Burgundy Asset Management. This resource is unique and is one of the differentiating aspects of the Value Investing program offered at Ivey vis-à-vis other schools. Current, past and future students and investors worldwide are the beneficiaries of this rich information resource.

The Centre's specific mandate is three pronged: (a) the development of future business leaders, (b) the development of intellectual capital and (c) the spreading the word about value investing to the broader community that includes both academics and practitioners. The Symposium today is part of the center's third mandate.

I am delighted with the Symposium's program and the caliber of presenters and discussants. The presenters will discuss their work on value investing and related topics, such as market anomalies and value vs. growth investing.

In the Morning Session, Joseph Gerakos from the University of Chicago will present Accruals, Cash Flows and Operating Profitability in the Cross Section of Stock Returns; Tyler Shumway from the University of Michigan will follow with Can Individual Investors Time Bubbles and Terrence Odean from the University of California - Berkeley will finish the session on Market Anomalies with his presentation on Which Risk Factors Matter to Investors? Evidence from Mutual Fund Flows. In the Afternoon Session, Stephen Penman from Columbia University, Stijn Van Nieuwerburgh from New York University and Martijn Cremers from the University of Notre Dame will delve into Value Investing issues, such as The Value Trap: Value Buys Risky Growth, The Cross Section and Time Series of Stock and Bond Returns, and Patient Capital Outperformance: The Investment Skill of High Active Share Managers Who Trade Infrequently, respectively.

I would like to thank all presenters and discussants for their contribution to the success of the symposium and my colleagues Ale, Amos, Saurin and Walid for their invaluable assistance and consultations over the year that helped me make the symposium an outstanding success. Many thanks should also go to our sponsors Burgundy Asset Management, Center for the Advancement of Value Investing Education and Ivey Business School for without their financial support this symposium will not have been possible. I hope everyone enjoys the Symposium, leaves with a better understanding of what the Ben Graham Center for Value Investing is all about and comes back to the Symposium next year. Best wishes to all.

George Athanassakos

Director, Ben Graham Centre for Value Investing
Ivey Business School



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