

## ***Course Syllabus***

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**Course:** FIN 4380: Domestic Fund Management

Monday 1 :00 p.m.- 3:45 p.m. via Zoom

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### **Course Instructor:**

Mr. Jack D. Furst

Oak Stream Investors

2591 Lakeside Parkway

Suite 100

Flower Mound, TX 75022

Phone: 972-982-8250

Executive Assistant: Carmen Goodson

Email: [jack@oakstreaminvestors.com](mailto:jack@oakstreaminvestors.com) or [carmen@oakstreaminvestors.com](mailto:carmen@oakstreaminvestors.com)

Class times: Monday 1:00 p.m. – 3:45 p.m.

Office Hours: by appointment, call or email to set up an appointment

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### **Classroom:**

Zoom Video Communications

Dial-In Instructions-

Join Zoom Meeting

<https://us02web.zoom.us/j/84169614980?pwd=UHVjaXh4TTU2ZkVZREdqMzFKaXJuUT09>

Meeting ID: 841 6961 4980

Passcode: 459881

One tap mobile

+13462487799,,84169614980#,,,,,0#,,459881# US (Houston)

+12532158782,,84169614980#,,,,,0#,,459881# US (Tacoma)

Dial by your location

+1 346 248 7799 US (Houston)

+1 253 215 8782 US (Tacoma)

+1 669 900 9128 US (San Jose)

+1 312 626 6799 US (Chicago)

+1 646 558 8656 US (New York)

+1 301 715 8592 US (Germantown)

Meeting ID: 841 6961 4980

Passcode: 459881

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### **Course Pre-requisites, Co-requisites, and/or Other Restrictions:**

FIN 4300

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**Course Description:** For students interested in publicly-trade common stocks, relative value analysis and portfolio management.

**Course Objectives:**

This class is a capstone course. The course has two objectives. First, a review of what you have learned in previous finance/investment classes. Second, an understanding of fundamental analysis, its role in the individual stock selection and active portfolio management.

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**Course & Instructor Policies:**

**Effort:**

10 Things that Require Zero Talent

1. Being on Time
2. Work Ethic
3. Effort
4. Body Language
5. Energy
6. Attitude
7. Passion
8. Being Coachable
9. Doing Extra
10. Being Prepared

**Grading Policy:**

To evaluate how well you have mastered the material, I will assess your performance based upon effort, following instructions, turning Take-Home Exams in on time and the quality of your work. In order to get a grade in the class, all 4 Take-Home Exams must be completed.

**Components of your grade:**

Take - Home Exam 1	25%
Take - Home Exam 2	25%
Take - Home Exam 3	25%
Take - Home Exam 4	<u>25%</u>
	<u>100%</u>

The grade book will have four grades per student. Each grade will count for 25% of a student’s total grade compilation. Grading scale set forth below:

100-97	A+	79-77	C+
96-93	A	76-73	C
92-90	A-	72-70	C-
89-87	B+	59-60	D
86-83	B	59-below	F
82-80	B-		

**Late Work:**

Late work will receive a grade lower than earned. For example, an A earned late is a B. Better to be late than never, completing all 4 exams on time is a requirement of the class. Effort is a requirement of the class.

**Class Attendance:**

This class is remote. Zoom Video Communication conference calls and email will be the primary tools of communication. I assume each student is passionate about the subject matter and intends to actively engage in the remote structure of the class.

**Classroom Behavior:**

Behave as you would want me or another to behave towards you if our positions were reversed. However, should you fail to behave in a manner that I find acceptable, then do not be surprised if I ask you to change your behavior, nor be surprised if I ask you to leave the classroom after you fail to change your behavior.

**Computation Aids:**

You should be able to use Excel, R or any computer software tools that helps you with the analysis of data.

**Off-campus Instruction and Course Activities:**

*Off-campus, out-of-state, and foreign instruction and activities are subject to state law and University policies and procedures regarding travel and risk-related activities. Information regarding these rules and regulations may be found at the website address [http://www.utdallas.edu/BusinessAffairs/Travel\\_Risk\\_Activities.htm](http://www.utdallas.edu/BusinessAffairs/Travel_Risk_Activities.htm). Additional information is available from the office of the school dean. Below is a description of any travel and/or risk-related activity associated with this course*

**Student Conduct & Discipline:**

The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations which govern student conduct and activities. General information on student conduct and discipline is contained in the UTD publication, *A to Z Guide*, which is provided to all registered students each academic year.

The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the *Rules and Regulations, Board of Regents, The University of Texas System, Part 1, Chapter VI, Section 3*, and in Title V, Rules on Student Services and Activities of the university's *Handbook of Operating Procedures*. Copies of these rules and regulations are available to students in the Office of the

Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SU 1.602, 972/883-6391).

A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.

### **Academic Integrity:**

The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work.

Scholastic dishonesty includes, but is not limited to, statements, acts or omissions related to applications for enrollment or the award of a degree, and/or the submission as one's own work or material that is not one's own. As a general rule, scholastic dishonesty involves one of the following acts: cheating, plagiarism, collusion and/or falsifying academic records. Students suspected of academic dishonesty are subject to disciplinary proceedings.

Plagiarism, especially from the web, from portions of papers for other classes, and from any other source is unacceptable and will be dealt with under the university's policy on plagiarism (see general catalog for details). This course will use the resources of turnitin.com, which searches the web for possible plagiarism and is over 90% effective.

### **Email Use:**

The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email address and that faculty and staff consider email from students official only if it originates from a UTD student account.

### **Withdrawal from Class:**

The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.

### **Student Grievance Procedures:**

Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's *Handbook of Operating Procedures*.

In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.

Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.

#### **Incomplete Grade Policy:**

As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of E.

#### **Disability Services:**

The goal of Disability Services is to provide students with disabilities educational opportunities equal to those of their non-disabled peers. Disability Services is located in room 1.610 in the Student Union. Office hours are Monday and Thursday, 8:30 a.m. to 6:30 p.m.; Tuesday and Wednesday, 8:30 a.m. to 7:30 p.m.; and Friday, 8:30 a.m. to 5:30 p.m.

The contact information for the Office of Disability Services is:

The University of Texas at Dallas, SU 22 PO  
Box 830688  
Richardson, Texas 75083-0688  
(972) 883-2098 (voice or TTY)

Essentially, the law requires that colleges and universities make those reasonable adjustments necessary to eliminate discrimination on the basis of disability. For example, it may be necessary to remove classroom prohibitions against tape recorders or animals (in the case of dog guides) for students who are blind. Occasionally an assignment requirement may be substituted (for example, a research paper versus an oral presentation for a student who is hearing impaired). Classes enrolled students with mobility impairments may have to be rescheduled in accessible facilities.

The college or university may need to provide special services such as registration, note-taking, or mobility assistance.

It is the student's responsibility to notify his or her professors of the need for such an accommodation. Disability Services provides students with letters to present to faculty members to verify that the student has a disability and needs accommodations. Individuals requiring special accommodation should contact the professor after class or during office hours.

**Religious Holy Days:**

The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.

The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment.

If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.

**FINANCE 4380-001**  
**Domestic Fund Management Schedule**  
**1:00 p.m.- 3:45 p.m. Mondays**

<u>Class</u>	<u>Date</u>	<u>Topics</u>
<b>Common Sense Finance</b>		
# 1	August 17	Introduction
# 2	August 24	Basic Economic Model
# 3	August 31	Asset Allocation
	September 7	Labor Day – No Class
# 4	September 14	<b>NO CLASS Take-Home EXAM #1 Due</b>
<b>Fundamental Analysis/Value Investing</b>		
# 5	September 21	Economy Analysis
# 6	September 28	Sector Analysis
# 7	October 5	Company Analysis
# 8	October 12	<b>NO CLASS Take-Home Exam #2 Due</b>
<b>Indexes/Passive Investing</b>		
# 9	October 19	Wilshire 5000
#10	October 26	S&P 500
#11	November 2	DJIA
#12	November 9	<b>NO CLASS Take-Home Exam #3 Due</b>
<b>Investment Thesis &amp; Stock Selections</b>		
#13	November 16	Investment Thesis & Attributes Speculations vs. Investment
#14	November 23	Stock Selection
#15	December 2	<b>NO CLASS- Study Week</b>
#16	December 7	<b>NO CLASS Take-Home Exam #4 Due</b>

**JACK D. FURST**

<b>Occupation:</b>	Ranching and Investments
<i>Fact:</i>	<b><i>8<sup>th</sup> Generation American</i></b>
<b>Residence:</b>	Bartonville, Texas
<i>Fact:</i>	<b><i>Blue is my favorite color</i></b>
<b>Born:</b>	1959
<i>Fact:</i>	<b><i>I like Civil War History</i></b>
<b>Married:</b>	1990
<i>Fact:</i>	<b><i>My wife is from Texas City</i></b>
<b>Children:</b>	Two (23- year- old son, 20-year-old daughter)
<i>Fact:</i>	<b><i>I am a cutting horse competitor</i></b>
<b>High School:</b>	Richardson High School – Class of 1977
<i>Fact:</i>	<b><i>I enjoy playing golf</i></b>
<b>College:</b>	Arizona State University – Class of 1981 – B.S. Finance
<i>Fact:</i>	<b><i>I drive a pick-up truck</i></b>
<b>Post Graduate:</b>	University of Texas – Class of 1984 – M.B.A.
<i>Fact:</i>	<b><i>I am a dog lover. Dog is GOD spelled backwards.</i></b>
<b>Summer Jobs:</b>	Summer Camp, B.S.A. – Canoeing Instructor
<i>Fact:</i>	<b><i>Our family takes vacations in an RV</i></b>
<b>Other Jobs:</b>	Restaurant – Busboy Yard and Landscape Business – Sole Proprietor
<i>Fact:</i>	<b><i>Summer is my favorite time of the year</i></b>
<b>Jobs-Pre-Investment Career: (1981 – 1985)</b>	PriceWaterhouse Coopers, Phoenix, AZ – Financial Consultant American Bank, Austin TX – Investment Analyst CreditSuisse FirstBoston, NY, NY – Corporate Finance and Mergers & Acquisitions Specialist
<i>Fact:</i>	<b><i>I wear boots and jeans - business attire on very limited occasions</i></b>

**JACK D. FURST (cont.)**

**Investment Experience:** Hicks & Haas – Private Equity Firm (Partner)  
**(1986 – current)** Hicks Muse & Co. – Private Equity Firm (Partner)  
Hicks, Muse, Tate & Furst – Private Equity Firm (Partner)  
HM Capital Partners – Private Equity Firm (Partner & Senior Advisor)  
Oak Stream Investors – Family Office (Founder & CEO)

*Fact:* ***John Wayne is my favorite Hollywood personality***

**Activities:** Circle Ten Council, BSA – Past President and Lifetime Board Member  
National Boy Scouts of America – Board Member  
University of Texas – CBA Council Lifetime Member  
University of Texas – MBA Fund  
National Louis University - Trustee

*Fact:* ***To whom much is given; much is expected***

**Awards:** Boy Scouts – Eagle Scout, Silver Beaver Award, Silver Antelope Award,  
Silver Buffalo Award, Vigil Honor, Distinguished Eagle Scout,  
Wood Badge  
Arizona State – Beta Gamma Sigma  
University of Texas – Beta Gamma Sigma  
Richardson High School – Hall of Fame  
Arizona State – Business Hall of Fame, Distinguished Achievement Award,  
Philanthropist of the Year  
University of Texas – Outstanding Young Texas Ex Award  
Aspen Institute – Henry Crown Fellow  
West Virginia University- Honorary Presidential Doctorate Degree  
State of West Virginia – Honorary Mountaineer Brigadier General  
Association of Fund-Raising Professionals, Dallas Chapter – Outstanding  
Philanthropist

*Fact:* ***My Slogan: “If it’s worth doing --- it’s worth overdoing”***

**JACK D. FURST**

**Selected List of Private Equity Investments**

Activant	Swett & Crawford
American Tower	Swift & Company
Arena Brands	Sybron International
Aster City Cable	Thermadyne Industries
Atrium	Trident NGL
A&W Brands	Triton
Berg Electronics	Urban Radio
Blackbrush Oil & Gas	Viasystems
Clear Channel	Vidro Formas
Choice Cable	Weetabix
CorpGroup	Yell
Crain	
Desa International	
Dr Pepper	
Dr Pepper Bottling Co. of North Texas	
Dynix	
EurotaxGlass's	
Exacta	
Ghirardelli	
G.H. Mumm/Perrier-Jouét	
Heritage Brands	
International Home Foods	
Jackson Products	
Kentucky Downs	
Life Partners	
LIN Television	
Mandeville Cable	
Marcus Cable	
Mercado Libre	
Microtune	
Morningstar Foods	
Paris Packaging	
Personal Communications	
Pinnacle Foods	
Premier Foods	
Regency Energy Partners	
Republic Insurance	
Seguros Commercial	
Seven-Up Company	
Spectradyne	
Sturm Foods	

## 25 Universal Truths about Investing

- # 1 **We invest to make money.**
- # 2 **4 Obstacles to creating wealth – Procrastination, Spending habits, Inflation and Taxes**
- # 3 **To become rich one must earn more than one spends.**
- # 4 **There is a difference between savings and investment.**
- # 5 **No risk, no return ... The law of comparison helps investors navigate the choices.**
- # 6 **Total Return = Current Income +  $\Delta$  in price.**
- # 7 **Investment means a risk premium is earned and purchase power is maintained.**
- # 8 **Expected rates of return need to be realistic.**
- # 9 **Investors must be Risk Managers: Return of capital vs. Return on capital**
- #10 **Asset Allocation is everything – 94% of returns are determined from asset allocation, 4% from security selection and 2% from market timing.**
- #11 **After tax returns are all that matter.**
- #12 **Diversification matters, but it's not perfect.**
- #13 **Keep 5% to 10% of your assets in cash.**
- #14 **Stocks are earnings growth sensitive.**
- #15 **Bonds are interest rate sensitive.**
- #16 **Value investing beats growth investing over extended periods of time.**
- #17 **Fundamental Analysis is an investors best friend.**
- #18 **Holding Period is everything when it comes to stock investing.**
- #19 **Beware of Debt – focus on the Balance Sheet.**
- #20 **Know your sell plan – inspect what you expect.**
- #21 **Cycles Count.**
- #22 **Buy on the Dips verses Dollar Cost Average Method.**
- #23 **Government and Elections Count.**
- #24 **Control your emotions.**
- #25 **Investing is an Art, not a Science.**

## Words of encouragement and observations from Jack

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### August 2020

Investing is an art, not a science. Stock investment is about the future not historical articulations. Mining relative value is hard - - a good thing because, if everybody could invest well, the value of the skillset would be a commodity. The key to successful investing is predicting the future. You do not want to own a stock; you want to own a business. Owning a business is different than just owning a stock. People, Product and Processes matter. And the Prospects of the business really matter.

When you buy a business. Price matters. Which means relative value matters. Which means a lot of comparable analysis matters. Cash, Liquidity, Debt, Book Value, Sales, Earnings, Dividends, Growth compared to other businesses you might consider owning.

Is the business a growth machine, continuously improving, innovating, and learning? Or it is a Blockbuster. Or is it a re-thinking itself business—General Electric. Or is it a Boeing—A leadership and capitalization question? As much as things change, things remain the same. Businesses that grow, grow in value. Businesses that have strong balance sheets, cash and cash flow, sales and earnings growth, dividends and dividend growth make for very nice long-term investments.

Trading stocks is speculation. The trading business is oriented to take advantage of investor emotions and volatility. Volatility is how traders make money. Long term secular growth trends is how investors make money. Owning a business is an investment. Predicting the future of a business' product line and the margin profile is humbling. It takes a tremendous amount of time and data and understanding of consumption, economics, people and institutional behavior, geopolitical forces and much, much more.

Balance Sheets matter. Covid-19 has proven that. Sales matter which means the business has a product folks need, want, or have to have. Profits matter. Businesses cannot continue to pay their bills, their people, and their obligations unless the business is sustainably profitable. Cash matters. Cash flow matters. If you are interested, Dividends matter. Growth always matters. Modest to no debt matters. The only way you can discern whether you would like to own a business is to review in detail the story behind the numbers. And then compare that story with other possible businesses you would like to buy. Execute law of comparability. Speculators trade stocks. Investors own businesses. There is a gigantic difference between the two.

Businesses you own need to have a sustainable value proposition. Competition matters. Cash on hand matters. Liquidity matters. Debt matters. Debt to Equity measures matter. Earnings matter. Future earnings matter. Dividends matter. Dividend growth matters. Price to Earnings, Price to Cash flow, Price to Book, Price to Sales. PEG Ratios. And other relative value measures matter. This comparison comes to life as compared to like kind companies. Competitive alternatives in the Sector. Etc. THINK: Law of Comparability on Steroids.

Remember. You want to buy a business at a discount to its intrinsic value. The number one goal of investing. Focus on why you want to own the business. Great People. Great Product. Great Processes. Great Prospects. Business are worth their future earnings and dividends. Reviewing a business's history is interesting and can help inform our decision-making process. It's all about the future. Does the business you want to own have a bright future, why? Can you explain it to a 5th grader? Does the business have an attractive capital structure? Think balance sheet. How much debt compared to equity? Debt is not your friend. Debt enhances equity returns if structured and termed-out properly. Debt obligations have to be repaid in full out of cash flow or refinanced by the marketplace.

Liquidity. Does the business have enough cash to deal with the uncertainties available in the market? Covid-19 is going to bring several businesses to their knees. Recession is on the horizon. How did your dream business preform during the last downturn in 2008? I hope you will enjoy the exercise of picking an ideal portfolio of stocks—Businesses you might want to own for a long time is an exceptional learning experience. Are you looking for growth? Why are your businesses going to grow? Explain it to yourself. Welcome to being uncomfortable. Welcome to the life of an investor—being comfortable being uncomfortable is a transferrable asset from this class.

We are executing a buy low-sell high business investment strategy. We need the business to go up in value. Businesses go up in value if revenues and earnings grow. Focus your eyes, mind, and discernment on growth. Future prospects. Business models are us. Porter's 5 are us. Ratio analysis are us. Law of Comparability and Relative Value are us. Data collection. Analysis of the data and future predictions are required. What is the investment thesis? Why is the value of the business expected to go up? Conclusions matter.

This is a capstone class attempting to get you to use your financial vocabulary, financial analysis skills, appreciation for financial history so that you can make an informed judgment call on a business's future. You know what you want to own. You just have to find it. Growth, Earnings and Dividends are what you are looking for. A balance sheet that is built for a storm is what you are looking for. Risk mitigation is what you are looking for. We talked about 8 risks in class that have to be navigated - - at your core, you are a risk manager.

Perfection is not in the cards. Buffett is 89 years old and is still figuring it out. I am 61 and I am still figuring it out. Know you are in great company. Investing is humbling. To be great at it—you must be right more often than not on growth, revenues and earnings. The business must have the right capital structure. How much debt? How much equity? The business must have the right People, Product and Processes...and Prospects.

Organize your thoughts. The science is the science. Investment is a form of art. Most students live in the "historical analysis" conference room. I am trying to get you to reside in the "future business prospects" conference room. Historical regurgitating and spot numbers mean little other than the remarkable effort it took to procure the data. I want you to think the data and make an informed prediction. Future predications backed up with reason and spot numbers compared to like kind investment opportunities or indices begins to display your law of comparability skills and relative value skills.

The economy matters. The sector matters. Business cycles matter. Competition matters. Balance sheets matter. Revenues in the future, Earnings in the future and Dividends in the future matter. This is a capstone course. Investment reasoning backed up with investment tools begin to make the case for an investment thesis.

The entire world is on sale at a discount at the moment. We have witnessed a complete market meltdown. Every asset class, by in large, is worth 1/3 less. A melt-up might be in our future due to the fiscal stimulus and monetary policy recently executed by the Fed and US Government.

Remember. Investing is a hard business to do well— it's really hard to invest well consistently.