



2010 Philadelphia Investment Research Challenge



Agenda

- **Overview**
 - Daken Vanderburg, CFA
- **Ethics and Code of Standards**
 - Domenic D’Ginto, CFA
- **How to Write a Research Report**
 - Ryan Harkins, CFA
- **Company Presentation**
 - Ametek



Participating Schools





Participating Company



AMETEK, Inc. is a leading global manufacturer of electronic instruments and electromechanical devices with annual sales of \$2.5 billion.



AMETEK has approximately 11,000 colleagues working at more than 80 manufacturing facilities and more than 80 sales and service centers in the United States and around the world.





Timeline

- **Kick-off Presentations**
 - November 9th, 2009
- **Research Reports (1st Draft) Due to Mentors:**
 - December 12th, 2009
- **Research Reports (final Draft) Due to Society:**
 - January 22nd, 2010
- **Finalist Teams Announced**
 - Mid-February, 2009



Timeline (continued)

- **Finalist Presentations**
 - March 4th, 2010
- **North American Championships (NYC)**
 - March 18th, 2010
- **Global Competition (Hong Kong)**
 - Mid-April 2010



Resources

- <http://www.ircphilly.com>
- <http://www.cfainstitute.org/society/challenge/index.html>
- <http://ametek.com>



Items Worth Mentioning

- Student Membership in CFA Society
- Follow-up with Ametek
- Resumes on website (<http://www.ircphilly.com>)
- Sample research reports (<http://www.ircphilly.com>)



Ethics & Code of Standards

- Dominic D’Ginto, CFA



Ethics

- **Character is doing the right thing, when nobody is looking.....**



Ethics

- **Why are the Capital Markets broken today.....?**



Ethics

- because there is not any trust.



Ethics

- **The CFA has always been about Ethics.....**



Ethics

➤ **Professionalism:**

- Knowledge of the law
- Independence and Objectivity
- Misrepresentation
- Misconduct



Ethics

- **Integrity of Capital Markets:**
 - Material Nonpublic information
 - Market Manipulation



Ethics

➤ **Duties to Clients:**

- Loyalty, Prudence and Care
- Fair Dealing
- Suitability
- Performance Presentation
- Preservation of Confidentiality



Ethics

➤ **Duties to Employers:**

- Loyalty
- Additional Compensation Arrangements
- Responsibilities of Supervisors



Ethics

- **Investment Analysis, Recommendations, Actions:**
 - Diligence and Reasonable Basis
 - Communication with Clients
 - Record Retention



Ethics

- **Conflicts of Interest:**
 - Disclosure of Conflicts
 - Priority of Transactions
 - Referral Fees



Ethics

- **Responsibilities of CFA Members and Candidates:**
 - Conduct of Members and Candidates
 - Reference to the designation



How to Write an Equity Research Report - Ryan Harkins, CFA



Key Elements

- Business Description
- Industry Overview and Competitive Positioning
- Financial Analysis
- Valuation
- Investment Risks
- Investment Summary



Business Description

- Products or services
- Customers
- Demand factors
- Distribution strategy
- Profit model
- Current earning power
- Management's priorities



Industry Overview & Competitive Positioning

- Market size
- Competitors
- Competitive advantages
- Competitive disadvantages
- Market share
- Pricing power



Financial Analysis

- Study historical financial statements
 - *Income statement, balance sheet, cash flow statement*
- Focus on trends
 - *Profit margins, asset turns, capital structure, returns on capital, growth, etc.*
- Estimate future results



Valuation

- Intrinsic value estimates based on discounted future cash flows are ideal but “garbage in – garbage out”
- Other techniques can indicate opportunity:
 - *Valuation relative to history*
 - *Valuation relative to peers*
 - *Valuation relative to the market*



Investment Risks

- Demand destruction
- Cost pressures
- Competitive threats
- Financial leverage



Investment Summary

- In a handful of bullets, describe:
 - *the company's business;*
 - *the key risks to shareholders;*
 - *its value;*
 - *and the expected return for buyers at the current market price*