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Chair's Corner
Scott Besley

If you haven't visited the College of Business Administration recently, you should. Our new 40,000 square foot addition is now open. The addition has six new classrooms, with state-of-the-art electronics, that will be used primarily for teaching graduate courses. The new addition and the "old" building have very contrasting looks. The new addition is open and brightly lit at night, and I'm sure you remember what the "old" building looks like. The new addition serves as an example of the future direction of the college.

Finance continues to be a popular major. Nearly all the sections of undergraduate courses, and most of the graduate courses, offered by the department fill to capacity shortly after registration begins. Forecasted growth in the student population suggests that finance courses will continue to be popular in the future. We continue to seek ways to improve the quality of the education we offer. So, if you have suggestions or comments as to how we can improve our programs to offer a better quality product to the business community, please let me know. I expect that we will soon offer an MS in Finance (MSF). The MSF program proposal was approved by the college last semester; however, it still needs the approval of the university before we can begin accepting students.

Members of the department continue to publish research in prestigious academic journals. During 2004, faculty members produced several articles that either appeared or were accepted for publication in top academic journals. As a result of their research efforts, Chris Pantzalis, Jianping Qi, and Ninon Sutton were named Bank of America Professors of Finance. More information about the research in which members of the faculty are involved can be found at <http://www.coba.usf.edu/departments/finance/faculty/>.

The university recently was evaluated for re-accreditation by the Southern Association of Colleges and Schools (SACS). Although we haven't received the final report, it appears as though the university will be re-accredited. One of the requirements to retain accreditation is that we assess our programs on a continuous basis. One assessment method we use is to survey both recent graduates who majored in finance and employers who hire these

graduates. The survey is very short and easy to complete. Please take time to complete the appropriate survey (see the box below for the Web address). The results of the surveys are used to improve the curriculum we offer in the undergraduate program. The results also help us document the steps we have taken to achieve the goals established by the department, college, and university, which is a requisite for continuing the accreditation of the university. Thank you in advance for providing feedback that can be used to strengthen the programs offered by the Department of Finance.

Thank you for your support of the department, the college, and USF! GO BULLS!

Alumni and Employer Surveys

One of the methods we use to assess our programs is to survey both recent graduates who majored in finance and businesses that employ these graduates. Both surveys are now online.

If you are a recent graduate who has not participated in the survey previously, please take the time to complete the Alumni Survey. If you have employees who graduated with a major in finance, please take the time to complete the Employer Survey.

Alumni Survey:

<http://coba.usf.edu/besley/survey/alumni.htm>

Employer Survey:

<http://coba.usf.edu/besley/survey/employ.htm>

All responses are confidential. When you submit your responses, they are saved in summary form only.

This newsletter is only as good as you, our alumni and business supporters, make it. Please send us information on your recent accomplishments, job changes, newsworthy items, and so forth. Send any information, questions, or other material to Murad Antia. Murad can be reached via e-mail at mantia@coba.usf.edu.

Expensing Incentive Based Stock Options

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Incentive-based stock options gained increasing acceptance as a form of management compensation in the 1990s. Technology companies were especially generous in their stock option grants to senior management. Options as a form of compensation are attractive because companies are not required to expense the options on their income statements. Furthermore, it is erroneously believed to be costless to the company because there is no cash outlay. If and when the options are exercised in the future, the number of shares outstanding increases, thereby diluting earnings per share. And because companies are required to report diluted earnings per share, CEOs and CFOs have argued that there is no need to expense stock options.

But many academics would counter that options are a legitimate cost and should be expensed on the income statement. As Warren Buffett succinctly stated: "If stock options are not compensation, then what are they? And if compensation is not an expense, what is it?"

The question that needs to be addressed is the appropriate measure of option cost expensing that provides the most accurate estimate of earnings. The value of a stock option has two elements:

1. The *intrinsic value*, which is the difference between the market price and exercise price, which cannot be less than zero.
2. The *time value*, which prescribes a value to the time that the employee has to exercise the option. The more time to expiration, the greater the time value of the option.

In 1994, the Financial Accounting Standards Board (FASB) recommended that companies expense the fair value of options—that is, intrinsic value plus time value—when granted. Fearing a substantial decline in income, companies lobbied Congress to oppose this move, which, in turn, put pressure on FASB to table the recommendation.

Presently, companies are not required to expense options; but, if they do, it is recommended that they use either fair value or intrinsic value to determine the expense. Because most incentive-based stock options set the strike price equal to the market price of the stock at the time the firm grants the options, their intrinsic value is zero. Not surprisingly, most companies that do expense options have opted to use the intrinsic value method to expense options.

On October 14, 2004, the Financial Accounting Standards Board proposed that starting July 15, 2005, companies should begin expensing stock options. Furthermore, the proposal recommends that unvested options grants from prior years should to be expensed, resulting in a greater than expected deduction from earnings.

Barring any last minute reprieve from Congress,¹ companies will be required to estimate the value of their options grants by using either the Black-Scholes (B-S) options pricing model or the Merton variant of the B-S model. Companies should be able to spread this expense over the life of the option.

Many technology companies are actively lobbying against this move because they believe that it will prevent them from issuing options, which, in turn, will stifle innovation and threaten the survival of nascent companies. They also argue that using the B-S model will not provide an accurate measure of the cost to the company and hence earnings. The link between option grants and scientific discovery is tenuous at best, but they actually might have a point about the veracity of earnings if the B-S model is used.

To understand their bone of contention lets posit a scenario in which a technology company whose stock has been appreciating substantially has been issuing options to its employees. Assume that according to the B-S model these options are valued at \$2 billion dollars and the company is amortizing the expense over the life of the options. Subsequent to the issue of the options, the stock declines 80 percent from its peak and therefore it seems highly unlikely that these options will ever be exercised. But the company has to continue expensing the options, thereby distorting reported earnings.

This company in actuality is Intel and its CEO has stated that, in his opinion, it would be improper on his part to certify the financial statements (as required by Sarbanes-Oxley) as an accurate representation of the company's financial position, if Intel was forced to expense options. One could counter this argument with the position that this distortion is a short-run anomaly and that in the long run, the over-expensing will be evened out by under-expensing in future periods. But the fact of the matter is that investors have a decidedly short-term focus. And, because financial statements are prepared for the benefit of investors, companies should not focus on long-term accuracy at the expense of short-term distortions.

The B-S model is not without its deficiencies. The valuation estimated by the B-S model is only as good as the inputs to the model. The volatility of the underlying stock is notoriously difficult to estimate and is subject to manipulation, especially if the company wants to manage earnings. Moreover, the valuation can yield inaccurate estimates if the time to expiration is substantially longer than six months.

Marking-to-market the intrinsic value of the option as a liability and expensing the change in the value of the liability, quarter to quarter, is a more viable alternative. Investments held as trading securities are marked-to-market and the change in value from quarter to quarter is included in income measurement. So why cannot options be accounted

¹ The U.S. House of Representatives is considering a bill decreeing that stock options be expensed only for the chief executive and the other four highest-paid officers in a company, but be disregarded as an expense if issued to other employees in the company. Furthermore, the bill gives companies substantial leeway to estimate the underlying stock price volatility.

for in the same fashion? Using this methodology, Intel's balance sheet liability and the amount expensed on its income statement would be zero for all options issued that are out of the money.

Let's work through an example to understand the process. Suppose a company issues one option with a strike price equal to the stock price of \$100 at the time of issue. Subsequently, the stock price drops to \$95. No liability is recorded, nor is income adjusted because the option is out of the money and its intrinsic value is zero. But if the stock price rises to \$125, the intrinsic value of \$25 ($\$125 - \100) would be recorded as a liability and pre-tax income would be reduced by \$25. Now suppose at the end of the next quarter the stock price declines to \$115. The liability would be reduced to \$15 and pre-tax income would be increased by \$10 for the quarter. The liability stated on the balance sheet would be valuable information to the investor because it is the amount of money that the company would lose if it purchased the stock at market value and sold it at the option strike price, assuming the option was exercised at that time.

One of the advantages of this methodology is that it uses observed pricing data instead of a model for which the inputs are subject to manipulation. Other advantages of this methodology are its simplicity, immunity from earnings manipulation, and standardization across all companies

Often financial statements prepared according to GAAP do not paint an accurate picture of a company's financial position. We certainly do not need to add to GAAP's complexity and moreover, its deficiencies. Let's keep it simple and accurate.

Are TIPS the "Real" Deal? A Conditional Assessment of their Role in a Nominal Portfolio

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When the U.S. Treasury first auctioned its Inflation Protected Securities (TIPS) in January 1997, a major motivation for doing so was the belief that TIPS offered investors a substantial benefit not previously available and TIPS would lower borrowing costs by meeting an unsatisfied demand for debt securities that offer fixed real interest rates. Another benefit of TIPS is that policymakers and market participants could use the yield differential between nominal bonds and TIPS to determine market participants' inflation expectations, subject to assumptions about risk premiums. TIPS have become a significant component of debt issuance, representing about one third of the amount of funds raised by the Treasury in the 10- and 30-year maturity ranges in the first five years after inception in 1997.

One major concern of investors is that TIPS might underperform relative to nominal bonds. That is, tracking error risk could increase given that performance is typically assessed relative to a nominal benchmark. Because tracking error risk rises as the correlation between the nominal index and TIPS returns falls, understanding the factors that drive the correlation between TIPS and their nominal counterparts is crucial to successfully investing in TIPS. Several studies have asserted that because TIPS offer fixed real interest rates, the correlation between TIPS and nominal returns should increase when real interest rates change and should decrease when inflation expectations change. However, none of these studies examine whether this correlation changes in a predictable manner across different market environments.

One of our main goals of our study is to investigate the extent to which the correlation between TIPS and nominal bond returns can be predicted using information widely available to investors. Another goal of the paper is to test whether the addition of TIPS to a portfolio comprised of other classes of domestic securities provide the investor with a significant increase in diversification benefits in different market environments. In other words, are TIPS a new class of securities or are they made redundant by the combination of other securities? This is an important issue because, while a high correlation between TIPS and nominal bond returns reduces tracking error risk relative to a nominal benchmark, a low correlation is required to significantly increase the reward-to-risk characteristics of the portfolio augmented with TIPS. Finally, this study sheds indirect light on whether TIPS have met the Treasury's objective of providing lower cost funds. This analysis is of interest given that the Treasury's Borrowing Advisory Committee, a private-sector panel, has claimed that TIPS have raised borrowing costs and has recommended against new auctioning of TIPS.

One of the major distinctions of this study relative to others that have examined the performance of TIPS is that we employ a "conditional framework" in our assessment. That is, unlike previous research that assumes that the risk and reward of TIPS and nominal bonds and the correlation of TIPS and nominal bond returns are constant over different economic environments, our estimation process allows these measures to change conditional on the particular environment. This framework is far more meaningful for investors/portfolio managers who actively manage their portfolios, and it is well documented that making assumptions of constant risk and reward severely understates their value.

This approach affords us several advantages. First, we construct reward-to-risk measures (Sharpe ratios) that change over time. These time-varying Sharpe ratios provide information about the volatility-adjusted expected returns offered by TIPS and their nominal counterparts across changing inflation, interest rate, and other market environments and an indication as to whether TIPS have been a good deal for investors.

A second advantage of our approach is that we construct a time-varying TIPS *return* beta with respect to returns on nominal bonds. The time-varying TIPS return beta is a measure of the sensitivity of TIPS returns to nominal bond returns across different market environments. This is a hedge ratio that is useful for managing the interest

rate exposure of a portfolio when an investor swaps out of nominal bonds into TIPS, and vice-versa. For example, to calculate the swap ratio, an investor who wishes to swap out of nominal bonds into TIPS and maintain a given exposure to nominal interest rate changes would require a forecast of how much TIPS real rates are likely to change for a one unit change in nominal rates.

There are several interesting results from our research. First, TIPS and nominal bond returns and the correlation between their returns can be predicted using the past slope of the yield curve and the yield spread between nominal bonds and TIPS. Second, time-varying Sharpe ratios indicate that TIPS had superior volatility-adjusted returns relative to nominal bonds through their first four and one half years. This finding is important given that during this period significant inflation was non-existent. A possible explanation for this finding is that because the Federal Reserve has achieved inflation fighting credibility in recent years and inflation has remained low, the demand for inflation protection has been moderate and investors have been able to extract higher compensation per unit of volatility from TIPS compared to nominal Treasuries. This suggests that TIPS may have elevated rather than reduced Treasury borrowing costs thus far. Third, our tests suggest that TIPS did not provide statistically significant diversification benefits to investors holding portfolios of different combinations of stocks, nominal Treasury bonds and bills, and corporate bonds. That is, it appears that TIPS are not a new class of securities. However, given that these tests are conducted over a period of fairly low inflation rates, it is possible that TIPS will provide greater diversification benefits in the future if inflation becomes a greater concern.

Divergent Opinions and the Performance of Value Stocks

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There is an ongoing debate between proponents of rational asset pricing and advocates of behavioral finance about the exact interpretation of the “value premium.” Some have argued that the value premium is compensation for bearing risk because value stocks are fundamentally riskier than growth stocks. Other researchers, however, claim that value stocks produce superior returns because investors consistently overestimate future earnings of growth stocks relative to value stocks. The essence of this argument is that investors are excessively pessimistic (optimistic) about value (growth) stocks as they tie their expectations of future growth in earnings to past bad (good) earnings. That is, investors make systematic errors in predicting future growth in earnings of value stocks and, therefore, investors’

excessive pessimism about future earnings of value stocks is the cause for the superior performance of value stocks relative to growth stocks. This non-risk based (behavioral) explanation of the value premium is known as the extrapolation, or errors-in-expectations, explanation.

Our research has revealed that the abnormal return of value stocks on earnings announcement days is not caused by the surprise in the level of earnings, but rather by a different mechanism. Even though proponents of the rational explanation of the value premium argue that value stocks are fundamentally riskier, they have overlooked differences of opinion as a possible source of risk that could explain the “value premium.” Disagreement among investors is widely recognized as a potential determinant of asset prices. It has been proven that in a capital asset pricing model (CAPM) framework, heterogeneous beliefs about future stock payoffs among investors will result in a positive association between future stock returns and differences of opinion. In this framework not all investors possess completely accurate probability beliefs and therefore heterogeneous expectations among investors matter in asset pricing because the opportunity set is partially unknown. Therefore, when investors are uncertain about the true probability structure of stock return payoffs, they tend to hold different subjective opinions about stocks’ future return payoffs. Consequently, when there is high uncertainty about the future prospects of stocks, subjective beliefs will diverge accordingly, which causes investors to demand high rates of return in order to invest. Alternatively, higher returns for stocks exposed to greater disagreement among investors arise from the fact that, in imperfect capital markets, capital market equilibrium requires the simultaneous determination of asset prices and the identity of investors trading in each asset. Dispersion of opinion, then, has the potential to represent a unique source of risk and its impact on prices is compounded by the degree of disagreement.

To examine whether the superior performance of value stocks is associated with investors’ disagreement about future payoffs, we use the dispersion in analysts’ earnings forecasts as a proxy for investors’ heterogeneous beliefs. We hypothesize that value (growth) stocks have greater (lower) exposure to dispersion in analysts’ forecasts and therefore they should earn a higher (lower) return.

Our results are consistent with the investor disagreement explanation for the return differential between value and growth stocks. We find that the dispersion in analysts’ earnings forecasts is considerably higher for high book-to-market stock portfolios. Similar results are achieved when we compare extreme quintile portfolios of stocks ranked on size. Small cap stocks exhibit greater forecast dispersion than large stocks. These results suggest that high book-to-market and small cap stocks earn higher returns because there is greater disagreement among investors about their future payoffs.

Our tests show that investor disagreement plays an important role in asset pricing. Multifactor asset pricing tests confirm that investor disagreement, manifested in the dispersion of analysts’ earnings forecasts, represents a risk factor that significantly influences the returns of value and small-cap stocks. These results are consistent with the view that investors require higher returns from stocks exposed to

greater disagreement.

Appraising a Firm Facing Patent Expiration

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Patent expiration for a small firm may affect the choice of business valuation method and the underlying estimated benefits stream upon which the method is based. The DCF/Multiple Period Discounting Methods may be preferred because they can more explicitly reflect the diminished earnings, cash flow, and dividend capacities attributable to the patent expiration. The valuer must also make and justify assumptions caused by the speed and the degree of the diminution.

One of the basic economic principles of capitalism is that competition will inevitably drive profit margins to the sustainable minimum for firms within a homogeneous industry. A firm may enjoy higher than "normal" profit margins if it successfully differentiates its products/services from its competitors. Patents are one such method of differentiation. Patents may allow higher than normal profit margins during the patent life. The barrier to entry provided by a patent, however, eventually expires; profit margins diminish as the competition adopts the previously patented superior characteristics to its own products; customers become aware of the adjustment; and the patent holder's profit margins return to the industry average.

This life cycle is more obvious within smaller firms, which have only one or a few patents. Small firms are usually less able to sustain the large research and development effort that is necessary to perpetuate the barrier to entry provided by the patent while keeping profit margins at higher-than-normal levels.

A limited life patent in a small business affects the business valuation method that is used. The business valuation method must be selected and justified and the estimated benefit stream must be fitted to the observed circumstances. Specifically, the method should recognize that higher-than-normal profit margins have a finite life, contrary to some of the underlying infinite life assumptions of many single period business valuation methods such as the constant growth model.

In contrast, a multi-stage dividend or cash flow discount model does allow for the potential abatement of profits or profit growth at the time of patent expiration. Besides expiration of the rights embodied by the patent, profits and profit growth that are directly attributable to the patent can also suffer due to technological obsolescence. Technological obsolescence occurs when the intended function of the patent is no longer desirable or is replaced by newer, more preferable technology.

The potential abatement in earnings capacity or other benefits stream caused by the patent expiration can be explicitly identified by three factors: 1) length of time remaining until expiration, 2) the subsequent impact on

revenues, growth, and margins, and 3) speed of adjustment from the higher-than-normal profit margin to a normal profit margin after expiration. The last two factors, in effect, reflect the potential abatement in earnings capacity after the patent expires.

The appraiser may assume that the higher relative profit margins and superior market share and revenue growth will continue as long as the patent remains. However, upon patent expiration, the appraiser should analyze whether the higher-than-normal profit margins and possibly superior revenue growth and market share will decline to the industry average. Future earnings estimates should reflect the results of this analysis in each forecasted year and in the terminal value estimate used in the model.

The timing of the forecasted lower earnings depends on the appraiser's estimation of the speed at which competition forces the subject firm to lower its margins and the speed at which potential customers recognize and adjust to product technological equality within the industry after patent expiration. The "grace period", if you will, for the subject firm may be very short lived if competitors are quick to incorporate and market the technology that is no longer protected by the patent rights. A small backlog and short product lead times at the subject firm will also cause the appraiser to reflect the diminished earnings capacity sooner rather than later. The business valuation will be more negatively impacted as the speed and degree of adjustment by competitors' increases.

In conclusion, it is imperative that the appraiser employs the appropriate methodology to discount an earnings or cash flow stream that can rapidly diminish upon patent expiration. Additionally, the appraiser needs to accurately estimate the decline in earnings that results from patent expiration and the speed at which the decline will occur.

Expectations Investing: Reading Stock Prices for Better Returns. By Alfred Rappaport and Michael J. Mauboussin.

Book Review

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The key to successful investing, according to the authors of *Expectations Investing*, is to "read" the expectations for key variables embedded in the current stock price and to assess the likelihood of a revision in these expectations. Investors can earn superior returns if they

correctly anticipate revisions in the price-implied expectations (PIE).

Expectations Investing: Reading Stock Prices for Better Returns reverses the conventional valuation process. Normally, an investor estimates intrinsic value and compares it with market price to determine the attractiveness of a stock. With expectations investing, in contrast, the investor assumes that the market price accurately reflects consensus estimates for sales growth, operating profit margin, cash tax rates, and the investment in fixed and working capital needed to finance incremental sales. The point of the analysis is to identify the input variable, referred to as the “turbo trigger,” that is likely to have the greatest impact on the future price.

Often, the turbo trigger is one of the components of sales, especially in the case of companies either in a “growth phase” or exhibiting high operating leverage. Other possible turbo triggers are operating margins and incremental investments in working capital and fixed capital. These, presumably, would be appropriate turbo triggers for companies in mature and stable industries.

The investor estimates an *ex ante* probability distribution for the turbo trigger, from which the expected value of the stock is determined. The investor then compares the expected value with price to determine the attractiveness of the stock. Naturally, investors must be cognizant of the behavioral traps typically associated with assigning probabilities to outcomes and deciding to buy, hold, or sell.

Valuation in expectations investing is based on the discounted free cash flow (FCF) model.² The methodology designates weighted cost of capital (WACC) as the appropriate rate for discounting FCF. Investors can calculate the cost of equity capital by using the capital asset pricing model. Authors Alfred Rappaport and Michael Mauboussin advise readers to source beta estimates from a service such as Bloomberg, Yahoo!Finance, or Value Line. A casual comparison of beta estimates provided by Bloomberg and Yahoo, however, revealed to us some wide disparities. We can only speculate about the impact of these variations on WACC and valuation.

A key element of the PIE process is determining the number of years of discounted FCF needed to justify the market price of the stock. The estimation consists of two parts, namely, the consensus growth rate for the forecast period and a residual valuation of an inflation-adjusted perpetuity. According to the authors, this “market-implied” forecast period is the duration for which investors expect to generate returns from incremental investment that exceed the cost of capital. Using an arbitrary 5 or 10 years as the length of the consensus sales growth rate could lead to errors in valuation. Either significant changes in the stock price or new information would require that this step be revisited.

Surprisingly, Rappaport and Mauboussin do not consider the market-implied forecast period to be a potential turbo trigger. Often, however, a stock rises significantly in

the absence of any new information on sales growth or other triggers. In the framework of *Expectations Investing*, investors appear to be, explicitly or implicitly, changing the duration of the forecast period.

A detailed analysis of Gateway Computer’s valuation provides a lucid exposition of the PIE process. In April 2000, when Gateway’s stock was trading at \$52.00, the consensus revenue growth forecast was 20 percent and the estimated market-implied forecast period was seven years. The authors determined sales growth to be the turbo trigger, with a high estimate of 28 percent and a low estimate (too high in hindsight) of 6 percent. Based on these forecasts, the estimated low and high valuations were \$18.05 and \$76.35. Determining which valuation to use was a function of the investor’s subjective beliefs about future sales growth.

The PIE process described in *Expectations Investing* is not limited to established, mature companies. The authors show that the concept can also be used to evaluate money-losing start-ups. For such companies, the valuation is the sum of the discounted FCF and the value of real options. In this process, the investor has to assume a forecast period to value the existing business. But such an assumption for valuing start-up companies runs counter to the underlying concept of *Expectations Investing*. Because consensus estimates for the duration of the forecast period are unavailable, an assumption must apparently be arbitrary. And if such an estimate is arbitrary for a mature company, would it not be even more arbitrary for a start-up?

The Black–Scholes formula is used to value the real options, and the problems inherent in valuing stock options apply also in the PIE process. Specifically, the investor is required to estimate project volatility—a task probably more daunting than estimating the underlying-price volatility for a stock option. Alternatively, the investor can estimate the imputed real options’ value by subtracting the discounted FCF value from the market capitalization and then determining whether this valuation is plausible in light of the inputs needed to arrive at the option valuation. Rappaport and Mauboussin use Amazon.com as a case study to explain this process.

The final three chapters of *Expectations Investing* cover mergers and acquisitions, share buybacks, and incentive compensation. Most of the material is extraneous to the primary thrust of the book, but the authors do make several interesting points. In these chapters, the authors argue the following:

- A cash acquisition puts the acquiring company’s capital at risk and is a signal that the acquisition’s synergies are expected to exceed the premium paid for the acquisition. In a stock transaction, in contrast, the risk is shared by the acquisition candidate’s shareholders and signals management’s lack of confidence in the transaction.
- Share buybacks make sense only if the stock is trading below expected value. If the company buys stock above expected value, it transfers wealth from continuing shareholders to selling shareholders.
- Incentive compensation for managers of operating units should not be calculated on the basis of the cost-of-capital threshold. Rather, the threshold should be the rate of return implied by the stock

²FCF = Net operating profit after taxes – Incremental working-capital investment – Incremental fixed-capital investment. The valuation model is as follows: Stock valuation = Discounted FCF + Excess cash on the books – Market value of debt and preferred stock – Value of stock options – Unfunded pension liabilities.

price. Lower thresholds may reduce the expected value of the stock and eventually the stock price.

- The strike price for stock options awarded to senior managers should be indexed to a market or industry average.

Expectations Investing appears to be a viable alternative to other methods of valuation. The insights of Rappaport, a professor emeritus at Northwestern University's Kellogg School of Management, and Michael J. Mauboussin, chief U.S. investment strategist at Credit Suisse First Boston, make *Expectations Investing* recommended reading. Their work contains few errors, and corrections of them are available on the book's Web site at www.expectationsinvesting.com. These authors offer a new approach that practitioners can add to their toolkits and that academics, by the same token, can use as a complementary text in a valuation course.

Finance majors often seek internships to apply what they have learned in the classroom and to gain valuable work experience. If your company is looking for an intern with a good understanding of finance, please let us know. We will be happy to recommend students that have the appropriate qualifications. Contact Scott Besley via e-mail at sbesley@coba.usf.edu

Faculty Research

Steve Bolten: (Fall 2004), "Comparing Limited Partnerships with Closed End Funds in Valuation," *Business Appraisal Practice*.

Sam Bulmash: (forthcoming), "A Theoretical Model of Bank's Motives for Becoming a Multinational Bank and Conditions for its Lending Abroad Substituting or Supplementing its Domestic Loan Business", *Journal of Managerial Finance*.

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Ken Wiend: with H. Kite-Powell, C. Colgan, K. Wellman, T. Pelsoci, L. Pendleton, M. Kaiser, A. Pulsipher, and M. Luger, (2004), "Estimating the Economic Benefits of Regional Ocean Observing Systems," *National Oceanographic Partnership Program Marine Policy Center*

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We also would like your feedback about the content of the newsletter. Specifically we would like to know if you find the content to be pertinent, interesting, and written with sufficient clarity. Because the newsletter is written for your benefit, we invite your suggestions regarding the kind of material that you would like to read. If you would like for us to publish an article that you or one of your colleagues has written, please send us a copy and we will give it careful consideration.

Thank you,

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