

Value:

“I’ll Know It When I See It ...”

Agenda

1. Values
2. Influences
3. Value & Growth
4. Valuation
5. Experiences
6. Risk / Portfolio Management
7. Investing at this Time

1. Values

“Patience, discipline, humility, and a long-term perspective ...” George Athanassakos

**“You’re not as smart as you think you are ...”
Anna Abbandonato**

2. Influences

- **Graham and Dodd**
- **Buffett and Munger**
- **Prem Watsa**
- **George Athanassakos**
- **Potter Stewart ???**

3. Value and Growth: 2 sides of the same coin

The tough part:

- **Evaluating quality of business.**
- **Estimating future cash flows.**
- **Establishing a value.**

4. Valuation: Key criteria

No formula

- **Quality:** Strong balance sheet, free cash flow.
- **Size counts!:** No salary cap - Starbucks.
- **Capital allocation:** Rational approach.
- **Management:** Focus on track record, not meetings.
- **Know your companies:** "No head scratchers."
- **Is it cheap enough?**

5. Experiences: Japanese net-nets

- **2010: Bought 25 small cap net-nets in Japan.**
- **Nikkei Index: 10,000.**
- **Poor capital allocation / governance.**
- **Result: Returns due mostly to rise of index.**
- **Conclusion: Works in shareholder-friendly regime.**

5. Better Experiences: Good businesses. Simple stories.

Allstate: S/O 2004: 683mm S/O 2024: 265mm

Annual dividend growth: 6%+

RBC: Annual dividend growth: 8%+

Boring: Wealth mgmt, personal/corporate banking.

Oligopoly, growth market, strong regulation.

Outperformed S&P500 for 50 years.

5. Bad Experience: Don't believe everything they tell you...

JCPenney: Bought shares when real estate value was large % of market value. FCF.

Bill Ackman brought in Ron Johnson from Apple to “change the business model and create value.”

Great presentation from smart people. Beautiful charts.

Result: Destroyed the business.

This is not the company that we bought- SELL.

Lesson: Couche-Tard and 7-11

6. Risk / Portfolio Management

“ The managers who survive will be those who run concentrated portfolios ...” - Bill Miller

Because we are not smart, we own a diversified portfolio of 40 – 50 good businesses ...

7. Investing at this Time

- **Don't wait until there is more clarity.**
- **Don't worry about tariffs, but focus on great businesses – they'll figure it out.**
- **These are always the best times!**