



THE DAY I ALMOST FOUGHT MIKE TYSON

AND OTHER VALUE INVESTING TALL TALES

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08Apr25

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MY FRIENDLY DISCLAIMER

- 1** Do your own work!
I might be wrong or
change my mind
- 2** I'm not going to tell you what to do
with your money - I will tell you
what I am doing with our money



OUR AGENDA FOR TODAY

1. How NOT to be a Value Investor
2. Margin of Safety
3. Where to find Value
4. Frame for Value Investing
5. Tim's Truisms
6. Summary

McElvaine Value Fund

INVERT

HOW NOT TO BE A VALUE INVESTOR





INVERT

HOW NOT TO BE A VALUE INVESTOR

1

BUY FROM THOUGHTFUL, SMART SELLERS

HOW NOT TO BE A VALUE INVESTOR

1

BUY FROM THOUGHTFUL, SMART SELLERS

2

HOPE THE SHARE PRICE YOU'RE PAYING IS 'OK'





HOW NOT TO BE A VALUE INVESTOR

1

BUY FROM THOUGHTFUL, SMART SELLERS

2

HOPE THE SHARE PRICE YOU'RE PAYING IS 'OK'

3

YOU IGNORE THE COMPANY'S BALANCE SHEET



HOW NOT TO BE A VALUE INVESTOR

1

BUY FROM THOUGHTFUL, SMART SELLERS

2

HOPE THE SHARE PRICE YOU'RE PAYING IS 'OK'

3

YOU IGNORE THE COMPANY'S BALANCE SHEET

4

NOT WORRIED ABOUT INSIDER OWNERSHIP,
OR WHETHER MANAGEMENT IS HONOURABLE
(THIEF-LIKE!)



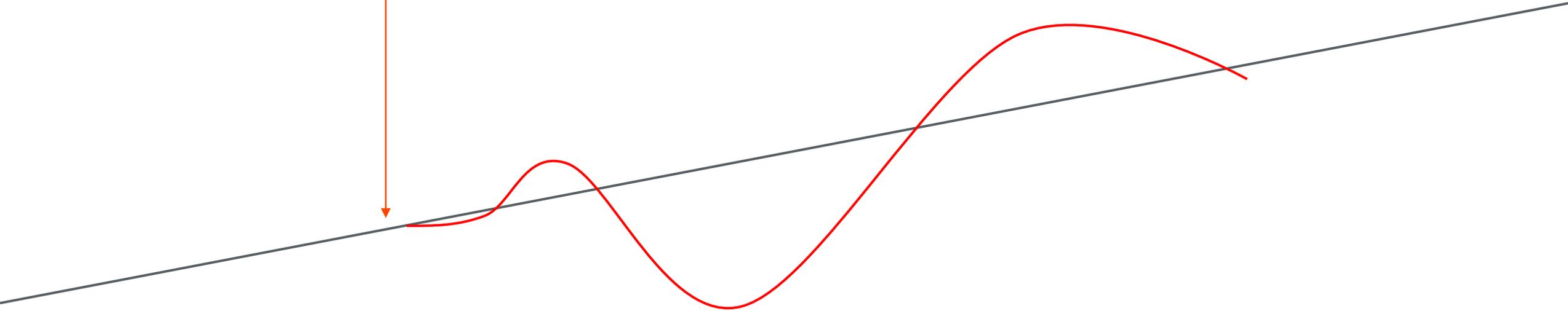
“ PREDICTION IS VERY HARD, PARTICULARLY WHEN IT'S ABOUT THE FUTURE ”

- Yogi Berra, New York Yankees Legend

VALUE INVESTING



INTRINSIC VALUE



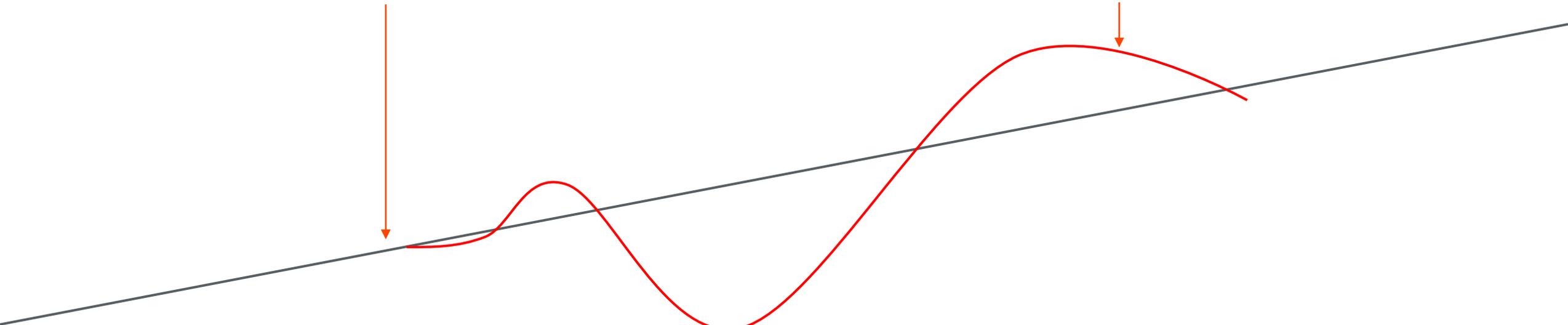
VALUE INVESTING



INTRINSIC VALUE



SHARE PRICE



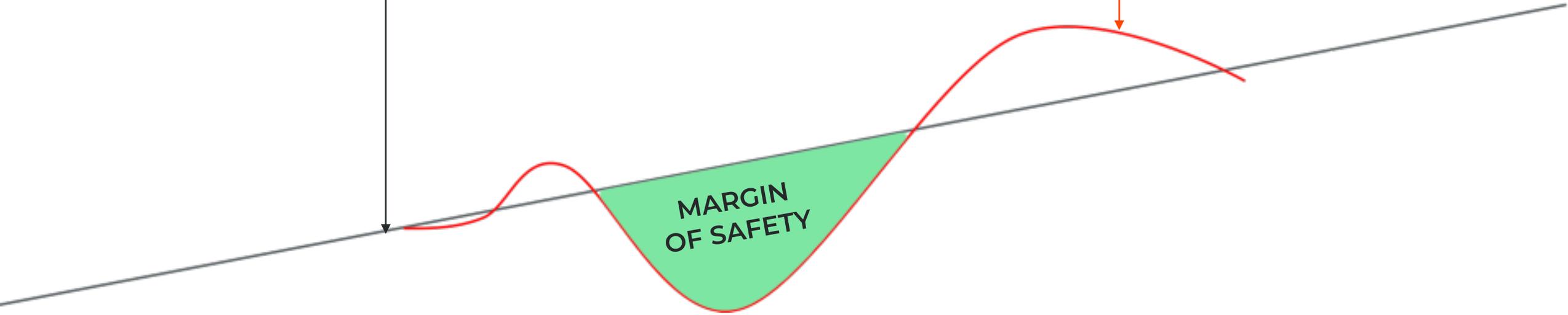
VALUE INVESTING

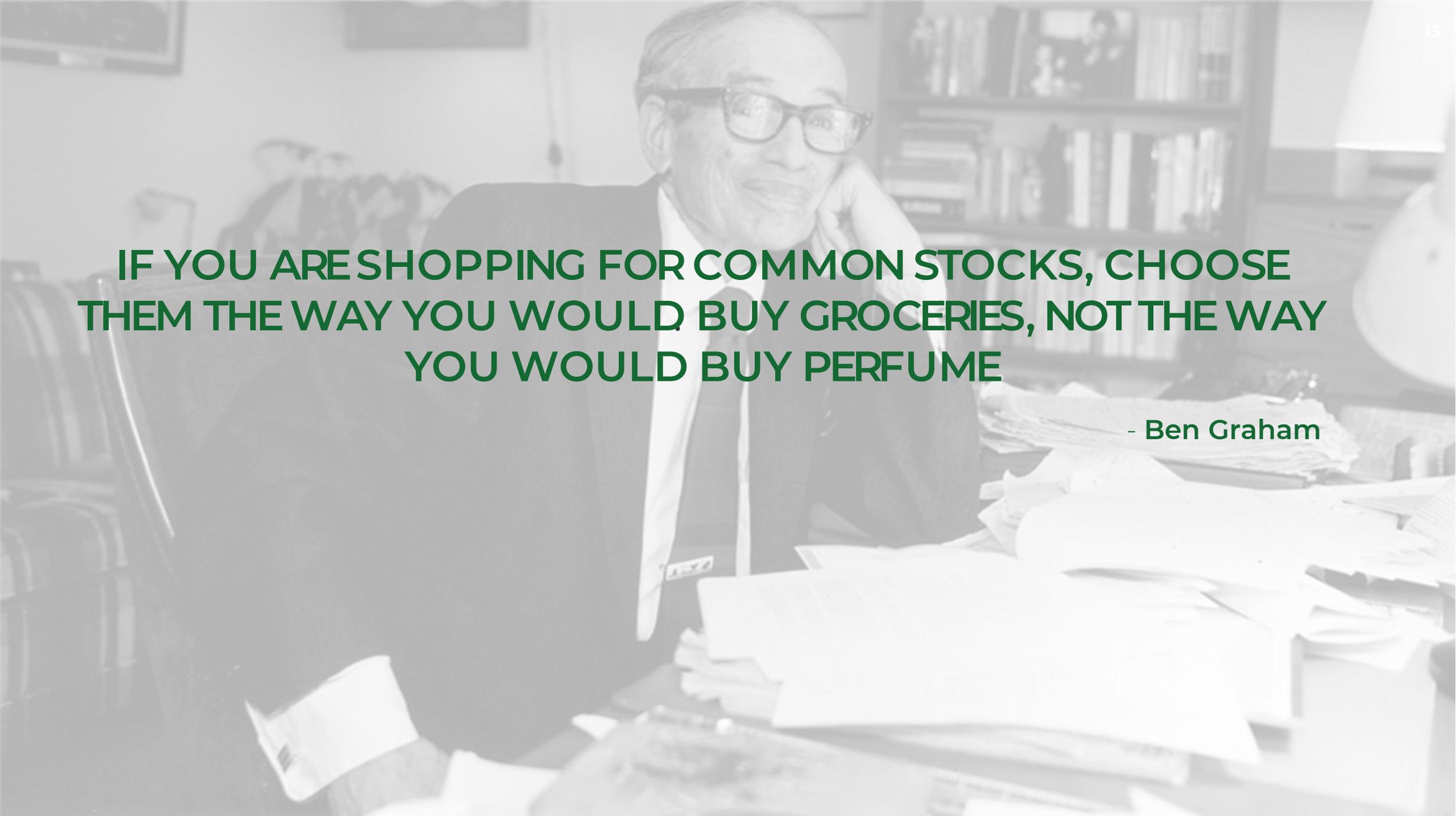


INTRINSIC VALUE



SHARE PRICE





**IF YOU ARE SHOPPING FOR COMMON STOCKS, CHOOSE
THEM THE WAY YOU WOULD BUY GROCERIES, NOT THE WAY
YOU WOULD BUY PERFUME**

- Ben Graham

WHERE TO FIND VALUE?

From: Introduction to
Poor Charlie's Almanack

Thomas Watson Sr., the founder of IBM:
"I'm no genius. I'm smart in spots, and I
stay around those spots."

If Charlie knows anything, he knows his
spots: his carefully identified circles of
competence.



WHERE TO FIND VALUE?

ChatGPT illustration
(neither one is me but take a guess at
which is closest to the truth!)



WHERE TO FIND VALUE?

ChatGPT illustration

Likely outcome, at least for me



WHERE TO FIND VALUE?

I call them
accidents...

but what I mean is:
where is there

DISLOCATION?



dis·lo·ca·tion

the disruption of an
established order



WHERE TO FIND VALUE?

I call them
accidents...

but what I mean is:
where is there

DISLOCATION?



dis·lo·ca·tion

the disruption of an
established order

*when the seller
does not care
about price*



EXAMPLES OF DISLOCATION



SPECIAL SITUATIONS SUCH AS SPIN-OFFS, EMERGENCE FROM BANKRUPTCY, INDEX REMOVAL, ETC.



UNPOPULAR AREAS SUCH AS AN UNDESIRABLE COUNTRY OR INDUSTRY



BAD NEWS SUCH AS EARNINGS MISS, DIVIDEND CUT, ETC.



UNDERFOLLOWED IN GENERAL

WHERE TO FIND VALUE?

LOOKING FOR A **BIG ADVANTAGE**
(IDEALLY PSYCHOLOGICAL):

CONFIRMATION BIAS / SOCIAL PROOF

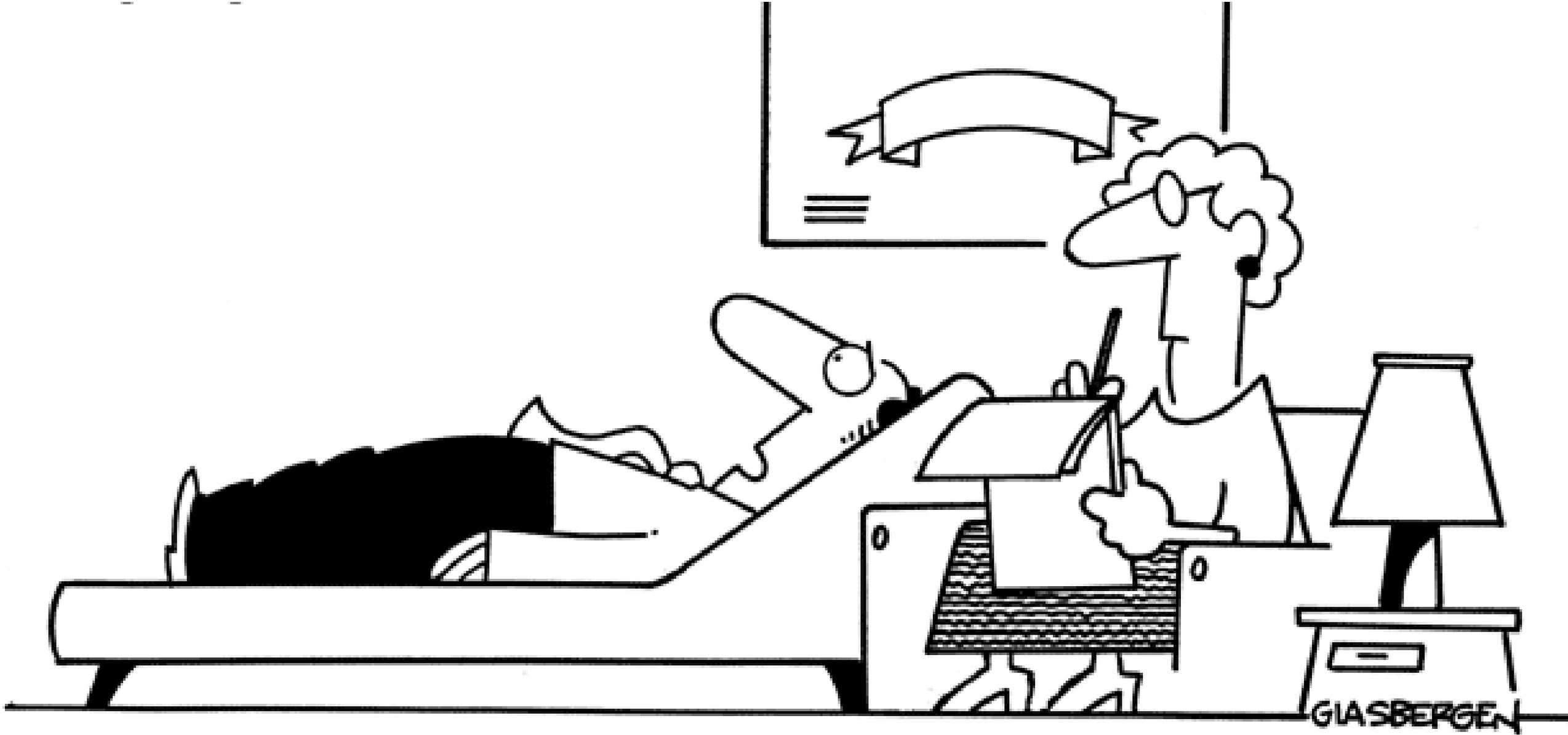
AFFECT HEURISTIC / EMOTIONAL FACTORS

PAST EXPERIENCES

COGNITIVE BIASES

**PUT SIMPLY: WHERE THE SELLER
DOES NOT CARE ABOUT PRICE**





**“I’m a fun-loving shopaholic trapped
in the body of a prudent investor!”**

FRAMEWORK FOR VALUE INVESTING



WHAT IS MY
**COMPETITIVE
ADVANTAGE** ON THE
PURCHASE?



WHAT IS MY
**MARGIN OF
SAFETY?**



DOES THE COMPANY
HAVE **STAYING
POWER?**



WHAT ARE THE
**MOTIVATIONS /
INCENTIVES OF THE
BOARD &
MANAGEMENT?**

VALUE INVESTING: OUR APPROACH

DISLOCATION OR FEAR GIVES US A
COMPETITIVE ADVANTAGE ON THE PURCHASE

PRICE GIVES US
OUR **MARGIN OF SAFETY**

STAYING POWER GIVES US
TIME FOR THINGS TO CHANGE

OWNERSHIP ENSURES OUR
INTERESTS ARE CONSIDERED

A
ACCIDENT

B
BIRD IN HAND

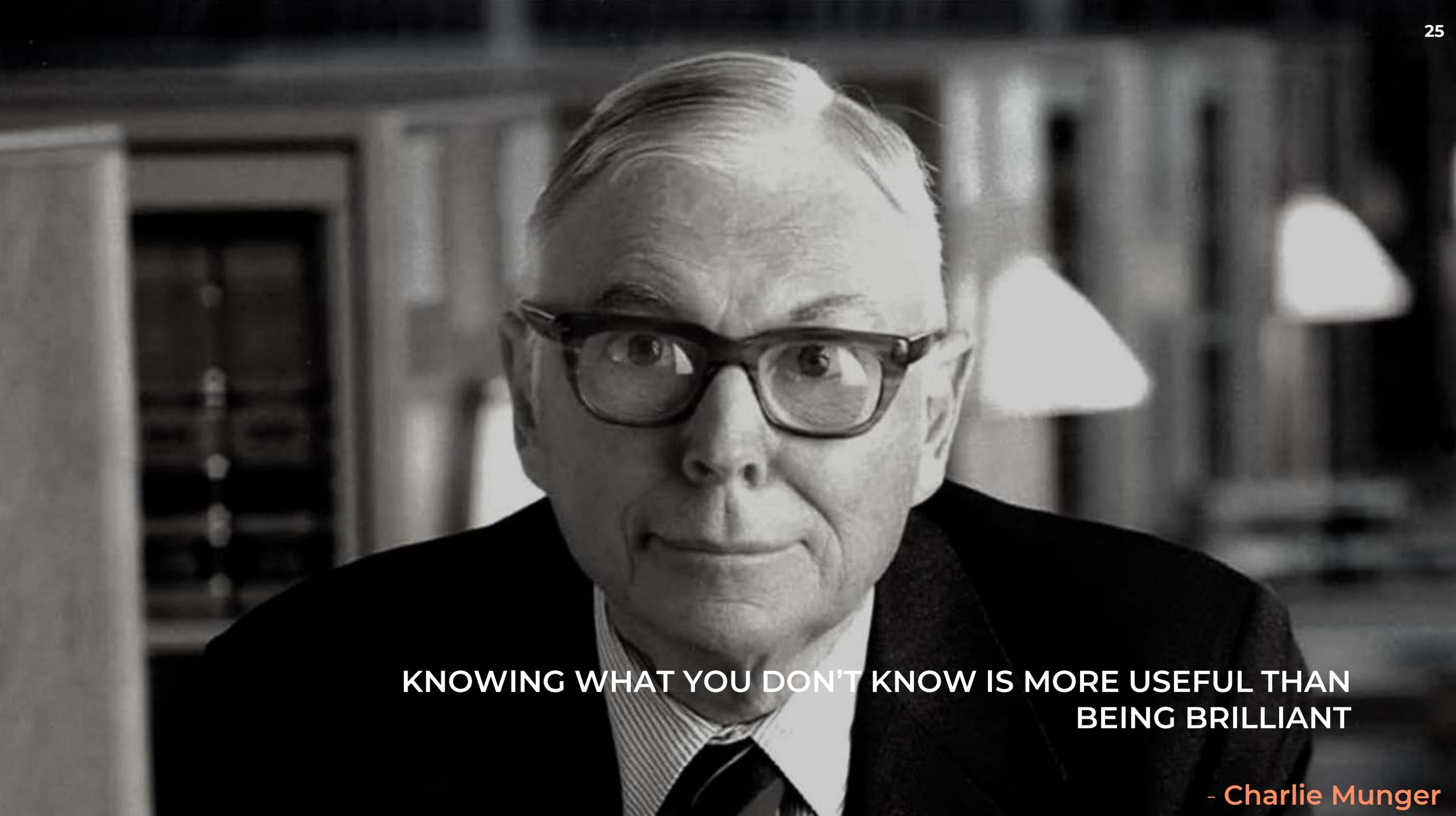
B
BRICK HOUSE

○ A
ALIGNMENT

FINANCIAL PLANNING SERVICES



" The sports car and sailboat are investments for my retirement. I'm using them to attract a younger woman who can support me in my old age."

A black and white portrait of Charlie Munger, an elderly man with glasses, wearing a suit and tie. He is looking directly at the camera with a slight smile. The background is a blurred office setting with bookshelves and a lamp.

**KNOWING WHAT YOU DON'T KNOW IS MORE USEFUL THAN
BEING BRILLIANT**

- Charlie Munger



Tim's Truisms

(from ~35 years of value investing)

McElvaine Value Fund

ALL OF OUR MONEY IS MADE ON THE PURCHASE
WE BUY ON ASSETS, SELL ON EARNINGS

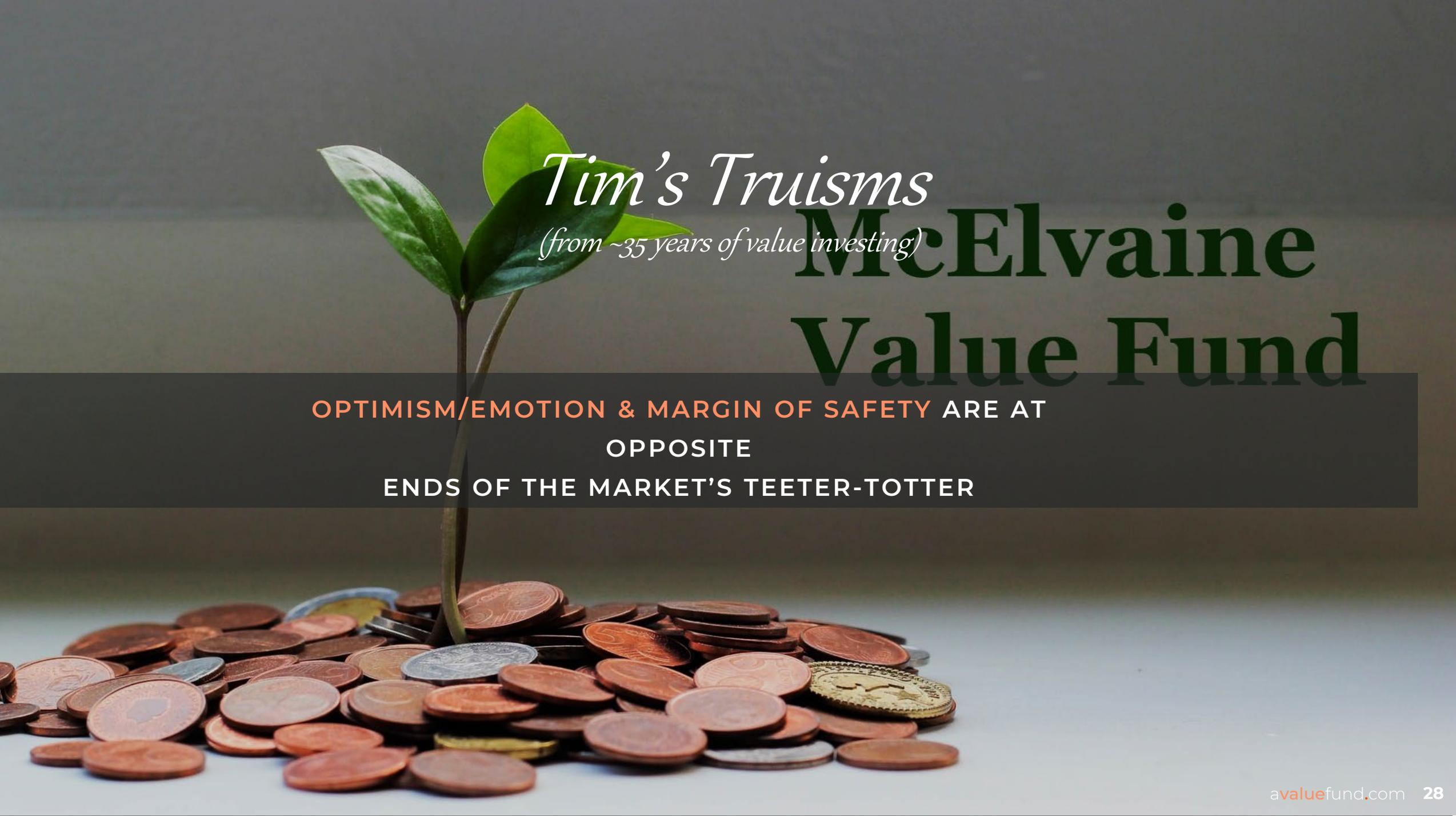


Tim's Truisms

(from ~35 years of value investing)

McElvaine Value Fund

MY FOCUS IS ON "PRICE TO MESS"
...ALSO KNOWN AS TIM'S **PMS RATIO**

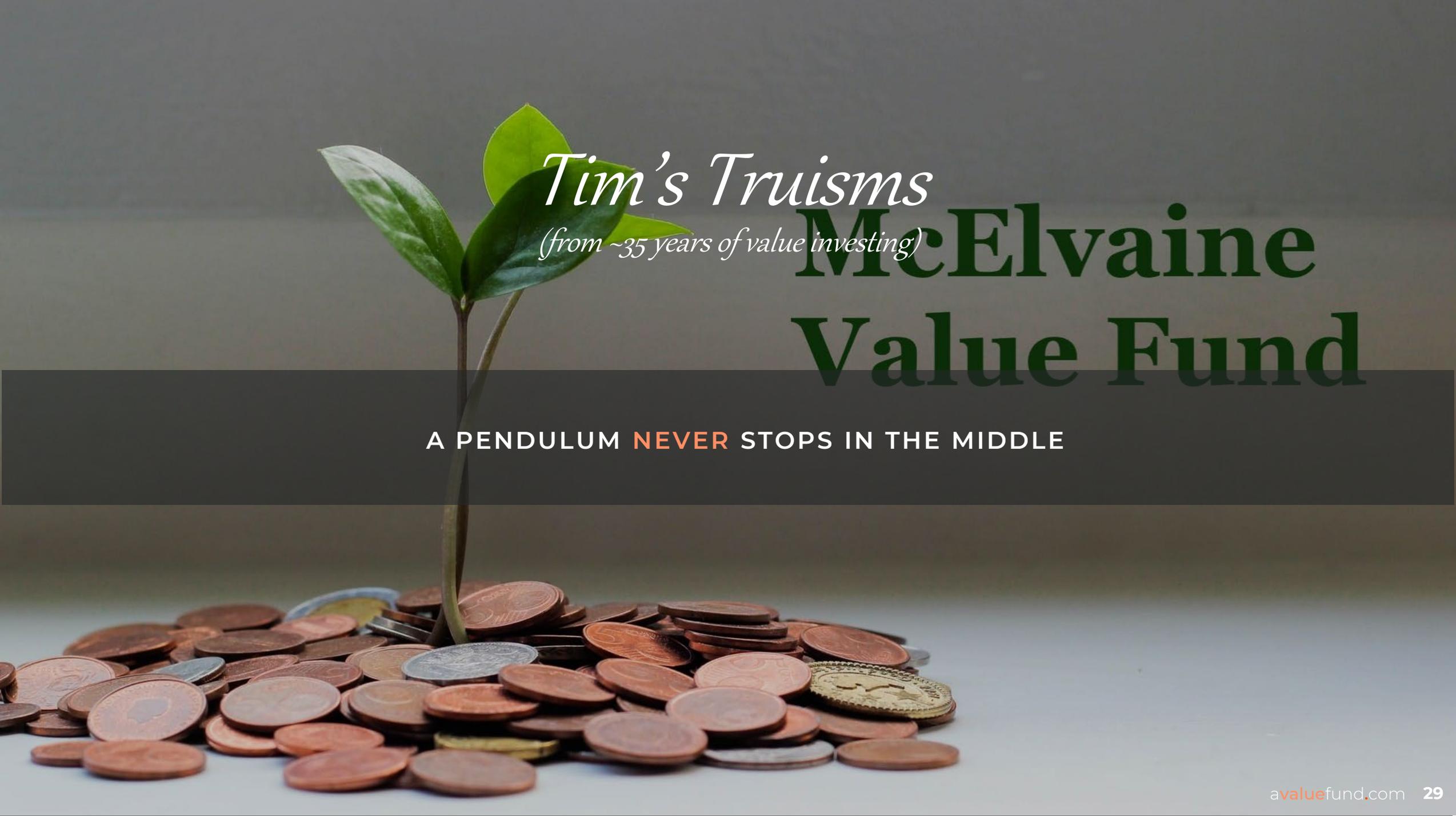


Tim's Truisms

(from ~35 years of value investing)

McElvaine Value Fund

OPTIMISM/EMOTION & MARGIN OF SAFETY ARE AT
OPPOSITE
ENDS OF THE MARKET'S TEETER-TOTTER



Tim's Truisms

(from ~35 years of value investing)

McElvaine Value Fund

A PENDULUM **NEVER** STOPS IN THE MIDDLE

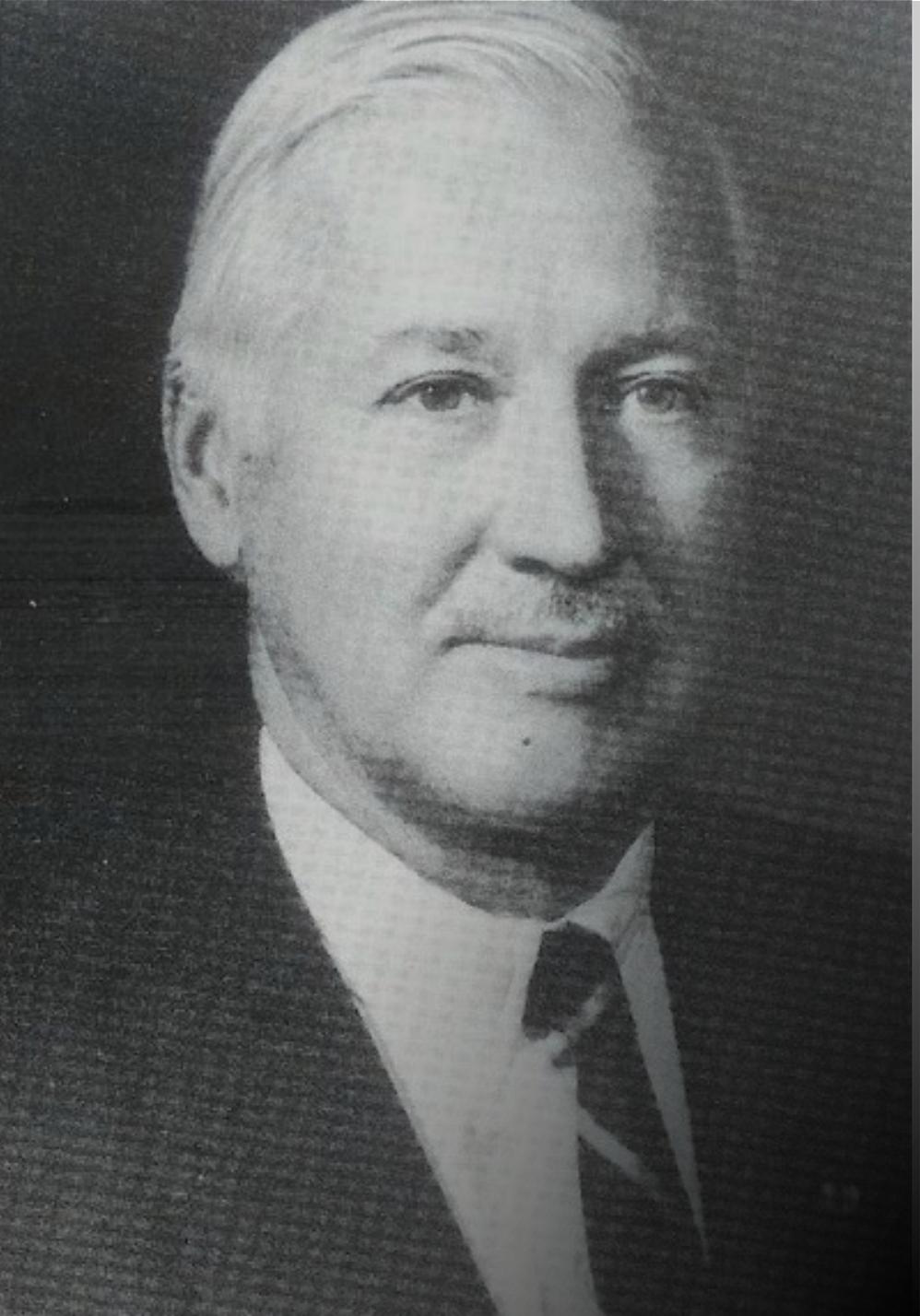


Tim's Truisms

(from ~35 years of value investing)

McElvaine Value Fund

VALUE STOCKS DON'T RUN, **THEY HOP**



SUMMARY

“ YOU MAKE MOST OF YOUR MONEY IN A BEAR MARKET – YOU JUST DON’T REALIZE IT AT THE TIME ”
- **Shelby Cullom Davis**, *American Businessman & Philanthropist*



McElvaine Value Fund

THANK YOU!