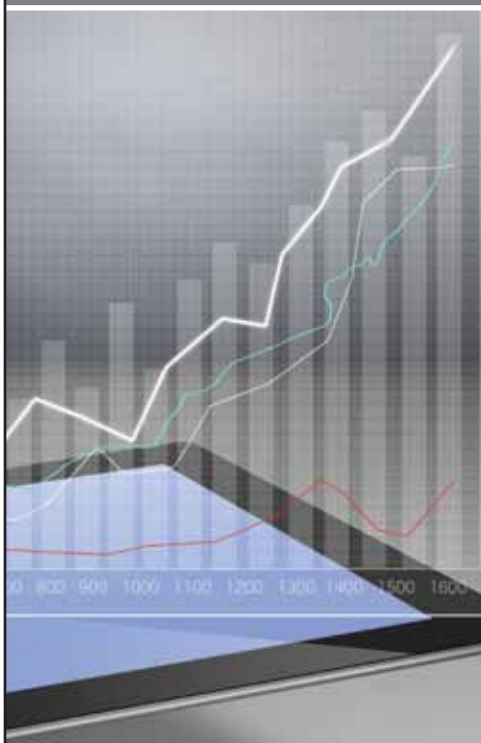


The Ben Graham Centre's Annual Value Investing Conference

Fairmont Royal York Hotel, Toronto

APRIL 15, 2015 | 7:45 AM – 4:45 PM



Ben Graham Centre
for Value Investing

IMPROVING LONG RUN INVESTMENT PERFORMANCE

www.bengrahaminvesting.ca





Mission of the Conference

- to promote the tenets of value investing as pioneered by Benjamin Graham;
- to expose conference participants to the various value investing methods used by practitioners;
- to encourage and support academic research and study in the area of value investing.

The conference will provide a forum to explain, discuss and debate the principles, practices and various applications of value investing from a global context.

Corporate executives will offer an industry perspective of how to look for value creating opportunities and how to create value.





The Ben Graham Centre's 2015 Value Investing Conference

Morning Agenda

7:45am – 8:30am	Registration & Coffee
8:30am – 8:45am	Welcoming the Delegates, Introductions and Opening Remarks Dr. George Athanassakos, Ben Graham Chair in Value Investing, Ivey Business School
8:45am – 9:25am	Morning Key Note Speaker Russell Napier – Topic: Equity valuation: Inflation, deflation and mean reversion
9:25am – 12:45pm	Value Investor Panel Presentations and Q&A
9:25am – 9:55am	William Browne – Topic: How to keep your wits when your suspicion is the world has lost theirs: A look inside Graham's tool box
9:55am – 10:25am	Francis Chou – Topic: 'The proof is in the pudding'
10:25am – 10:45am	Coffee Break
10:45am – 11:15am	Richard Oldfield – Topic: 'Patience, patience, patience'
11:15am – 11:45pm	Ole Nielsen – Topic: A Scandinavian's path to value investing
11:45am – 12:15pm	Guy Spier – Topic: The education of a value investor
12:15pm – 12:45pm	Q&A



The Ben Graham Centre's 2015 Value Investing Conference

Afternoon Agenda

12:45pm – 1:15pm	Lunch – Sponsored by Donville Kent
1:15pm – 2:15pm	Luncheon Keynote Speaker Frank Martin – Topic: : Why 'we worry top down and invest bottom up' Introduction: Prem Watsa, Chairman and CEO, Fairfax Financial Holdings Ltd
2:30pm – 4: 40pm	Corporate Executive Panel Presentations and Q&A Topic: Looking for and creating shareholder value – Industry Perspective
2:30pm – 2:55pm	Fokion Karavias, Eurobank Ergasias' perspective
2:55pm – 3:20pm	Mark Leonard, Constellation Software's perspective
3:20pm – 3:45pm	Evangelos Mytilineos, MYTILINEOS Holdings' perspective
3:45pm – 4:10pm	William C. Weldon, Johnson & Johnson's Perspective
4:10pm – 4:40pm	Q&A
4:40pm – 4:45pm	Concluding Remarks



Panel of Speakers

The Ben Graham Centre's 2015 Value Investing Conference offers a panel of speakers with a proven record of success in the field of value investing and the corporate sector. Featured speakers participating at the conference, in the order they will speak, are:

MORNING KEYNOTE SPEAKER

Russell Napier, Author & Founder, Electronic Research Interchange (ERIC), London, United Kingdom

LUNCHEON KEYNOTE SPEAKER

Frank Martin, Founder & Chief Investment Officer, Martin Capital Management LLC, Elkhart, IN

VALUE INVESTING PROFESSIONALS

William Browne, Managing Director, Tweedy, Browne Company LLC, Stamford, Connecticut

Francis Chou, President, Chou Associates Management Inc., Toronto, Ontario

Richard Oldfield, Chairman, Oldfield Partners LLP, London, United Kingdom

Ole Nielsen, Founder & Chief Investment Officer, Nielsen Capital Management Fondsmæglerselskab A/S, Vipperød, Denmark

Guy Spier, Founder & Managing Partner, Aquamarine Capital, Zürich, Switzerland

CORPORATE EXECUTIVES

Fokion Karavias, Chief Executive Officer, Eurobank Ergasias, Athens, Greece

Mark Leonard, President and Chairman of the Board, Constellation Software Inc., Toronto, Ontario

Evangelos Mytilineos, Chairman and Managing Director, MYTILINEOS Holdings S.A., Athens, Greece

William C. Weldon, Former Chairman of the Board and CEO, Johnson & Johnson, New Brunswick, New Jersey



Russell Napier

Mr. Napier is author of *The Solid Ground*, an independently published global macro investment report and founder of ERIC (www.eri-c.com), the platform for the sale of individually priced investment research. He is on the investment advisory panel of Kennox Asset Management an Edinburgh based value fund manager and was a consultant global macro strategist with CLSA Asia-Pacific Markets for almost twenty years. Russell began his investment career in 1989 as an investment manager at Baillie Gifford in Edinburgh managing funds in the Japanese then the US and finally the Asian markets. Moving to Foreign & Colonial Emerging Markets in London he was responsible for managing Asian portfolios. In 1991 he passed the Society of Investment Analyst exams (the predecessor organization to the CFA Society of the UK) winning the prize for best accounting and corporate finance paper. In May 1995 Russell became Asian equity strategist for stockbrokers CLSA in Hong Kong and occupied that position in a full time capacity until 1999. He was ranked number one for Asian equity strategy in all major polls of money managers in 1997, 1998 and 1999. In 2008 Russell became a limited partner of Cerno Capital (a private investment office) and is a member of the investment advisory committee to Cerno's investment management team. In 2013 Russell was elected as a Fellow of the CFA Institute of the UK. Russell's book, *Anatomy of A Bear - Lessons From Wall Street's Four Great Bottoms* published in late 2005 was named as an investment read of the Year in 2006 in the FT and described as a 'cult classic' by the same newspaper. He has an Honours degree in law from Queen's University Belfast, a Master's degree in law from Magdalene College Cambridge and has graduated from the Professional Institute of Legal Studies in Belfast.



Frank Martin

Mr. Martin is the founder, owner, and chief investment officer of Martin Capital Management, LLC, a value investment firm based in Elkhart, Indiana. Frank is the author of two books on investing: *Speculative Contagion: An Antidote for Speculative Epidemics* (2005) and *A Decade of Delusions: From Speculative Contagion to the Great Recession* (2011) which includes a foreword written by Jack Bogle, who describes Frank as “one of the wise men of American finance.” Frank is one of the few absolute-return value investors who consistently incorporates macroeconomic considerations

into his portfolio management strategy, and it has served his investors well. He anticipated and documented in widely distributed writings the dot-com crash at the turn of the millennium, and later dubbed the looming Financial Crisis of 2008 “The Perfect Storm” as early as 2006. MCM held more than 50% in cash and not a single tech stock in 1999, choosing instead to buy “unloved” equities at bargain prices. As a result, MCM clients actually made money while the broader market moved sharply lower on the outgoing tide of the dot-com collapse. In 2008, again with more than 50% of client’s assets in cash, MCM dipped less than 7% while the S&P lost 37%. Buying into the carnage, MCM equities were up 58% in 2009. Most recently, the company’s performance has conspicuously trailed the popular averages because of his extensively documented macro concerns. Frank graduated from Northwestern University in 1964 with a major in investment management. He then served as an officer in the U.S. Navy from 1964 to 1966. His securities industry career progressed from retail brokerage to municipal finance, and then to mergers and acquisitions. Frank earned his MBA at night school with honors from Indiana University South Bend in 1978 and was awarded his CFA certificate in 1987, the same year he founded Martin Capital Management. Frank founded and chaired DreamsWork, a mentoring and scholarship program for at-risk, inner-city children. In recognition of both his extensive public service and professional career, Martin received the Distinguished Eagle Scout Award in 2010, one of only about 2,000 Eagle Scouts recognized since the award’s inception in 1969.



William Browne

Mr. Browne has been with Tweedy, Browne Company LLC, a registered investment advisor, since 1978 and is a member of the firm's Management Committee and Investment Committee. He is a Managing Director of Tweedy, Browne Company LLC, and Chairman of the Board of Directors and Vice President of Tweedy, Browne Fund Inc., a US-based mutual fund group, and is also Chairman of the Board of Directors of Tweedy, Browne Value Funds SICAV, domiciled in Luxembourg. Founded in 1920, and serving originally as a broker to Benjamin Graham and other highly noted value investors, Tweedy, Browne began managing money for clients in 1968, and today manages approximately \$18B in value portfolios for individuals, family groups and institutions. William is a Trustee Emeritus of Colgate University, and holds the degrees of B.A. from Colgate University and M.B.A. from Trinity College in Dublin, Ireland. Additionally, he is a Member of the Executive Advisory Board of the Heilbrunn Center for Graham & Dodd Investing. William has over 40 years of experience in the investment management business, and is a frequent speaker on value investing, investment theory, and behavioral finance.



Francis Chou

Mr. Chou is the President of the Toronto-based Chou Associates Management Inc. Francis, a CFA, ended his formal education at Grade 12. While working as a technician for a phone company in 1981, he started the Chou Associates Fund as an investment club that would later become established by an initial declaration in 1985 and was offered to the public through an offering memorandum. In 1986, the Chou Associates Fund would be offered to the public through a Prospectus, along with the newly created Chou RRSP Fund. Francis has operated two of the country's most successful funds, Chou Associates Fund and Chou RRSP Fund, for the last 30 years. In 2004, the Canadian Investment Award named him the Fund Manager of the Decade. His approach is to "find bargains and maintain discipline; if you cannot find bargains stay in cash". Currently, Francis manages approximately \$1 billion for investors and runs the best performing bond fund in North America according to a Wall Street Journal article.



Richard Oldfield

Mr. Oldfield is chairman of a boutique investment management firm, Oldfield Partners LLP. He is also a director of Witan Investment Trust plc., and a trustee of Royal Marsden Cancer Charity, the Clore Duffield Foundation and Canterbury Cathedral Trust and president of Demelza House Children's Hospice. Between 2007 and 2014, he was Chairman of Oxford University Endowment Management Ltd. and Oxford University investment committee. He is the author of the book *Simple but not easy*, which is a book about investing published in June 2007.



Ole Nielsen

Mr. Nielsen is the Founder and Chief Investment Officer of Nielsen Capital Management Fondsmæglersekskab A/S, which he established in March 2002. A recognized expert in the field of value investing, Ole has successfully identified value in international securities for more than 20 years. He has managed mutual funds which have reached the top level of performance comparisons and some of which have been the best performing mutual funds in their categories. Being Danish by origin, Ole has extensive knowledge about international investments having spent many years as a

fund manager for Danish as well as international mutual funds. Ole began his career in the banking business in 1983. In 1986 he joined Sparinvest, the biggest mutual fund company in Denmark at the time, as a fund manager investing in undervalued companies. In 1990 he was offered a job in Nordea Luxembourg, a subsidiary of Nordea Bank, a major Scandinavian banking corporation, and spent 5 years as fund manager for a mutual fund specializing in value stocks internationally. In 1995 he returned to Sparinvest as head of the fund management department implementing the value investing discipline and working as a fund manager focusing on value stocks internationally. In this period, he also had responsibility for setting up and heading Sparinvest Fondsmæglersekskab A/S, which is a fund management advisory company. In 2002 he founded Nielsen Capital Management Fondsmæglersekskab A/S.



Guy Spier

Mr. Spier is the founder and managing partner of Aquamarine Capital, an investment partnership styled after the original 1950's Buffett partnerships. In 2008 Guy, along with Mohnish Pabrai, had lunch with Warren Buffett after submitting the winning bid for Buffett's annual Glide charity auction. Guy completed his undergraduate studies at Oxford and earned an M.B.A. from Harvard Business School.



Fokion Karavias

Mr. Karavias is the Chief Executive Officer of Eurobank Ergasias S.A. He has held many positions within Eurobank. He was the Senior General Manager Head of Group Corporate and Investment Banking, Capital Markets and Wealth Management from July 2014 to January 2015. From 2005 to 2013 he was the General Manager and member of the Group Executive Committee and from 2002 to 2005 he was Deputy General Manager and Treasurer. He started his career in banking in 1991 in the market risk management division at JP Morgan, in New York. In 1994 he joined Citibank, in Athens, and was responsible for derivative and fixed income business in Greece. In 1997, he joined Eurobank, as the head of fixed income and derivatives trading. In 2000, he became Treasurer at Telesis Investment Bank. Fokion is a Member of the Board of Directors of Eurobank Private Bank Luxembourg S.A. He holds a Diploma in Chemical Engineering from the National Technical University of Athens and a Master's and Ph.D. in Chemical Engineering from the University of Pennsylvania, Philadelphia. He has published several papers on topics concerning his academic research.

Mark Leonard

Mr. Leonard founded Constellation Software Inc., in 1995 and serves as its President. He currently serves as Chairman of the Board at Constellation Software Inc. and has been its Director since 1995. He has been a Director of Gladstone plc since May 2010, a Non-Executive Director of Bond International Software plc from November 2010 until March 21, 2014 and a Director of Gennum Corporation since April 2002. In addition, he also serves as a director of numerous public and private software and technology companies from around the world. Mark has worked in the venture capital business for eleven years and served in the United States and Canada as a Corporate Banker. He has also served as Senior Vice President and partner of Ventures West Management Inc., and as a Director of Cybermation Inc., and Canadian Software Investment Fund Inc. Mark holds a B.Sc. from the University of Guelph and M.B.A. from the University of Western Ontario.



Evangelos Mytilineos

Mr. Mytilineos is the Chairman and Managing Director of MYTILINEOS HOLDINGS S.A., one of Greece's leading Industrial Groups. Mr. Mytilineos holds both a BSc in Economics from the University of Athens, and a MSc in Economics from the London School of Economics. In 1978 he took over the family business, which was founded in 1908 and represented metal and steel product manufacturers. In 1990 he established MYTILINEOS Holdings Group, which is today the leading private group in Power and Gas, Metallurgy and Mining, and EPC Projects, with a turnover closing on 2 billion USD and 2,500 employees. In 1998, MYTILINEOS Holdings acquired the majority shareholding of the metal construction company METKA S.A, and turned it to an internationally established EPC Contractor (Top10 Global ENR list) and industrial manufacturing group, with a backlog of €1.3bn from EPC projects in Europe, Middle East and North Africa. Six years later, in 2005, the Group acquired Aluminium of Greece, the largest fully vertically integrated producer of alumina and aluminium in Europe. In the beginning of the century, MYTILINEOS Holdings entered the Energy sector, and in a less than a decade has become the 2nd largest power producer in Greece, following the Public Power Corporation. In 2010, the Group joined forces with MOTOR OIL, one of the leading Greek petroleum refining Companies. Together they established M&M Gas S.A., a company that engages in the supply and trading of natural gas and marked the liberalization of the Greek natural gas market.



William C. Weldon

Mr. Weldon is the Former Chairman of the Board and CEO of Johnson & Johnson. He joined Johnson & Johnson in 1971 and over the course of his career he held numerous positions in the US, Europe and Asia. He is a member of various not for profit organizations and also serves as a member of the Board of Trustees for Quinnipiac University.



A Message from The Director

I believe in stock picking, but, in general, I have a bias against growth stocks. Let me explain.

Growth investors were surprised and dismayed last summer when the Fed Chairman pointed out in an interview that biotech and social media stock values were “stretched”. They were not dismayed because it was quite unusual for the chairman of the Fed to mingle in the stock market. They were dismayed because they believed that these stocks’ superior forward growth rates justified their valuations and that they could still make money in these stocks despite their sky high P/E multiples. And they had good company, as most analysts covering these stocks also agreed with them judging from the overwhelming buy recommendations.

As a value investor, I read these comments and looked at these valuations and my skin crawled. One of the biggest risks an investor faces is valuation risk – paying too much. And evidence indicates that investors systematically overpay for growth. You can buy the best company, but if you overpay you will not make any money. How do value investors guard against overpaying? The first step of the value investing process (there are two more steps after that which I will not discuss here) is to search for low P/E companies, among other metrics.

Why is so? The P/E multiple is a function of the growth rate of earnings going forward. This relationship can be found in a mathematical formula derived from the equity valuation model taught at every university. Companies have low multiples because markets expect low earnings growth. Companies have high multiples because markets expect high earnings growth. However, the way the growth rate comes into the mathematical formula implies growth for ever. That is, a high multiple firm is forecast to sustain a high growth rate and a low multiple firm a low growth in both cases for ever. The markets tend to be overoptimistic about growth for high multiple firms and over pessimistic about growth for low multiple firms. As a result, investors bid up (overvalue) high multiple firms and bid down low multiple firms. That is why value investors tend to avoid high multiple firms. It is very difficult to make money when you buy overvalued firms.

But if you do not want to take my word for it, let’s look at the evidence. Academic studies in Canada have shown that, historically on average, low P/E stocks have beaten high P/E stocks by about 12%; in the US depending on the market by between 7% and 11% and in EAFE by about 13%. They beat them in good times and bad times and when news is good and when news is bad. How come? If investors are overoptimistic about a stock most of the time they tend to be disappointed in a down market and not so surprised in an up market, and when they are over pessimistic about a stock they tend to be pleasantly surprised in an up market and not so surprised in a down market.

But if it is difficult to see the relationship between P/E and earnings growth, let me show you results of another study that actually looked at growth rates directly.



Researchers at the Darden School of Business looked at the stock performance of high growth firms and compared it with the performance of low growth firms over a period of 40 years. What they found was that low growth firms had an average return of 26%, while high growth firms returned a meagre 4%. The low growth firms outperformed the high growth firms by a whopping 22%, annually on average, over a 40 year period.

Glamorous (high growth) firm stocks tend to attract a lot of attention, a lot of analyst following and a lot of trading by investors. By the time an ordinary investor decides to buy them, their prices have already been bid sky high. In these cases it is difficult to make any money. The opposite happens with low P/E or low growth firms.

One can extend this analysis to countries, as well. High growth countries' stock markets tend to become way too overpriced as they attract investors and funds and as a result they tend to have low forward returns. The opposite is the case for low growth countries. A case in point is the stock market performance of US vs. the BRIC countries. Over the last 6 years, the best performing market in the world has been that of the US and some of the worst markets in the world have been those of the BRIC countries.

So before you invest in high multiple or high growth firms, you must first look at the evidence and understand the history, except if you believe that this time is different. In this regard, I would like to quote Sir John Templeton who said, the most dangerous words in the world are "this time is different".

I am really excited about our panel of professional value investors today. They are a living testament to what I have described and will tell us how they put what I detailed above into practice in their own portfolios. Same holds for our panel of corporate executives, who will discuss how they look for and create value for their shareholders. As investors, we all want to buy companies that create value and these are well run companies with executives, who themselves are value investors, and know how to create value.

I am also delighted to have as key note speakers at the conference Mr. Russell Napier, Author & Founder, Electronic Research Interchange and Mr. Frank Martin, Founder & Chief Investment Officer, Martin Capital Management LLC, who will give us a view of the world which is different from what we are exposed to in our everyday norm.

George Athanassakos

Director, Ben Graham Centre for Value Investing
Ivey Business School



Specific questions presenters will address at the conference

- How do they define and manage risk?
- How do they make overall portfolio decisions and determine asset allocations?
- What stocks would they buy in a deflationary vs. inflationary environment? Can they name some?
- Does the economy and macro risks matter now more than before?
- Do they hedge? Why yes, why not? How?
- Do they have a “magic formula” for investing success?
- How do they generate investment ideas?
- How did the volatility of the recent financial crisis affect their investment process, and have they changed their approach in any way as a result of the experience?
- How concentrated is their investment portfolio, do they use leverage, and what is their view of short selling?
- How do they find value creating companies and what creates value?

Presenters will take participants through actual investment decisions, including decisions to purchase securities, how large a position to take, and decisions not to purchase securities.

Time will be allowed at the end of the presentations for open-ended questions.



Thank you to our sponsors

BURGUNDY

ASSET MANAGEMENT LTD.

DONVILLE | KENT
asset management inc.

Center for the Advancement
of Value Investing Education **CAVIE**



IVEY
Business School

WESTERN UNIVERSITY · CANADA