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British discounter, U.S. auto-parts retailer among stock picks at Value Investing Conference

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A British discounter of household goods and a U.S. auto-parts retailer were two of the investing ideas spotlighted at an annual get-together of value hunters.

The Value Investing Conference, organized by the Ben Graham Centre at the University of Western Ontario, has become an international forum for those who like the idea of buying a dollar for fifty cents.

This year's conference was a virtual affair that featured an appearance by Raj Subramaniam, the incoming chief executive of FedEx Corp., as well as talks by financial historian Russell Napier and several value-oriented money managers.

Two themes featured prominently in Wednesday's presentations. The first was the long tough patch that value investing has soldiered through since 2007. During this period, bargain-hunting investors have lagged behind a stock market obsessed with high-tech growth stories.

A second theme was the increasingly diverse nature of value investing. Ben Graham, the intellectual founder of the movement, made a fortune during the Great Depression by scooping up distressed companies selling at a discount to the net value of their assets. But such companies are now nearly impossible to find.

Value investors have responded by broadening their definition of value and exploring new ways of finding it.

Edward Blain, a portfolio manager at Orbis Investments in London, stressed the contrarian aspect of value hunting in his presentation.

His firm shies away from forecasting big trends in favour of looking for intelligent ways to oppose the current consensus. Its contrarianism can consist of ignoring the prevailing attitude of despair during market plunges. Conversely, it can mean loading up on safe, boring companies during periods of market euphoria.

Right now, with market valuations still frothy, Mr. Blain likes the look of a steadily growing but rather humdrum British discounter named B&M European Value Retail SA. The London-listed business sells everything from baked beans to garden furniture, but always at steep discounts – so steep that Mr. Blain jokes that neither he nor any researcher at his firm has ever been able to visit a B&M outlet without buying something.

Despite its appeal to shoppers, investors have largely shunned B&M, probably because it operates in an unglamorous sector that appears threatened by online commerce.

Mr. Blain, the contrarian, takes a different view. He argues that B&M is actually well protected from the online threat because its goods are typically bulky or in categories that people want immediately.

He likes the company's valuation, too. Its shares are selling for under 14 times earnings, a bargain in today's market, with a dividend yield in excess of 3 per cent. Yet Mr. Blain argues the company is well managed with ample room for growth.

A somewhat different approach to finding value was highlighted by Izet Elmazi, chief investment officer at Bristol Gate Capital Partners Inc. in Toronto. His firm uses machine learning, a type of artificial intelligence, to help identify Canadian and U.S. companies that are capable of growing their dividends.

One of its current holdings is Advance Auto Parts Inc. AAP-N (/investing/markets/stocks/AAP-N/) -0.72% , a U.S. provider of aftermarket auto parts. Among the company's attractions is the steady growth in the aftermarket auto-parts sector and the fragmented nature of that sector, which offers plenty of opportunity for consolidation.

Advance has materially underperformed its major rivals in recent years but now appears to be poised for better times under improved management. At its current valuation, it is cheap on metrics such as free cash flow to enterprise value, Mr. Elmazi said.

To be sure, neither auto-parts retailers nor discount chains are likely to thrill the investors who have flocked to electric-vehicle manufacturers and social-media giants in recent years. But such stocks might flourish if the economy changes course.

Mr. Napier, the financial historian, argued in his presentation that governments' easy-money policies have been a primary reason why value investing has underperformed in recent years. If those policies shift, value investors stand ready to take advantage.