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Ben Graham Centre
for Value Investing

Ben Graham Centre's 2023 Value Investing Conference

April 19, 2023

Delta Hotels Toronto
Soco Ballroom
75 Lower Simcoe Street
Toronto, Ontario, Canada



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.

Conference Organizer and Chair

Dr. George Athanassakos, Founder & Managing Director, Ben Graham Centre for Value Investing, Ivey Business School





A Message from the Director

I am a firm believer in stock picking. I think stock picking with the right process and the right temperament works. Unfortunately, academics have paid little attention to value investing and stock picking over the years and so they lack a basic understanding of what value investing is. For example, one misunderstanding perpetuated by academics is the idea that value investing is only about a particular style of investing. But it is not. Value investing is also about corporate finance. In fact, value investing incorporates two points of view, one is that of an investor (the value seeker) and the other that of a CEO (the value creator).

Chief executive officers perform two roles. One is that of an operator and the other is that of capital allocator. Most CEOs focus on managing operations and tend to be good at that. They acquired the skill of managing operations through years of working in various functions within their organization. And they have risen through the ranks of their organization because they excelled in this role. Capital allocation, however, is a skill that most executives do not learn on their way up, and so they become CEOs without mastering capital allocation. In William Thorndike's celebrated book on the topic, *The Outsiders*, he refers to capital allocation as "a CEO's most important job."

What exactly does it mean to be a good capital allocator? It means for the CEO to have the skills necessary to take the cash that the company generates and deploy it to the best value maximizing opportunity for the company, be it buying another company, buying back shares, paying higher dividends, reinvesting within the company and so on. In other words, successful CEOs are those who are good value creators (they must know how value is created), as well as good value seekers. To be a good value seeker, the CEO must be a good investor, most importantly, a value investor. I find that the best CEOs are those who are behaving like value investors.

No prior academic study has examined the long-term performance of value investor CEOs (i.e., good capital allocators) and compared it with the performance of those CEOs who are not good capital allocators. The challenge has always been to be able to devise a metric to identify good capital allocators and separate them from those who are not.

In my research, I examined the ratio of goodwill to assets in conjunction with operating margins as a composite metric to separate good asset allocators from those who are not.

Merger related goodwill was amortized up until 2000. Starting 2001 merger goodwill is no longer amortized. Instead, goodwill is tested for impairment and if found impaired it is written down. What this means is that the goodwill we observe on the company balance sheet is of much better quality and information starting in 2001. High goodwill/assets implies that goodwill had been tested and found to have value. Low goodwill/assets, on the other hand, implies one of two things, either that companies had not been involved in mergers (i.e., only organic growth) or that they had overpaid for a target and consequently goodwill was written off. That is why in my study I covered the period 2001-2020 and I used U.S. data which enabled me to have a larger sample. I examined individual company changes in goodwill/assets over 5-year periods to further justify my thesis that high goodwill/assets reflect a value CEO. If goodwill to assets remained high and/or increased over a 5-year period, these companies will remain in our value CEO sample. They will be removed from the value CEO sample if sharp declines of goodwill/assets occurred over the same period. At the same time, CEOs who did not overpay for an acquisition are frugal, as value investors are, and mindful of controlling costs, and avoiding keeping excess labor or assets on the balance sheet. This will ensure that operating margins will remain high. That is why I examined companies with high goodwill/assets in conjunction with high operating margins with the combination of both reflecting



a value CEO. Companies with high goodwill to assets and high operating margins must be those that are managed by good asset allocators, whereas companies with high goodwill to assets that declined over time and low operating margins must be those that are not managed by good asset allocators.

Does good asset allocation by a CEO lead to superior stock returns and, if so, how might one be able to identify CEOs that are good asset allocators? To answer this question, I calculated one-, two- and three-year cumulative total stock returns for good and bad asset allocator companies. I found that companies managed by CEOs who allocate company cash flows according to a value-investing style seem to outperform companies that are not managed by value investor CEOs. For example, between 2001 and 2020, on average, the portfolio of good asset allocator companies outperforms the portfolio of bad asset allocator companies by 33 per cent in terms of cumulative three-year returns. When buying other businesses, value investor CEOs ensure that their consolidated operating margins remained high, as opposed to other firms managed by poor asset allocator CEOs who buy businesses that bring down operating margins, either because they overpay or due to inability to realize expected synergies. Buying businesses cheaply allows value investor CEOs to create value for their shareholders.

The findings of my research can also help investors anticipate a company's future stock performance by identifying companies whose CEOs allocate assets like value investors. For example, I find that, on average, if a company had goodwill-to-assets of around 28 per cent, and operating margin of at least 19 per cent, the firm would most likely be at the top quartile in terms of stock return performance over at least the next three years. These are the companies an investor should buy and hold for the long run, as these are indeed stocks Warren Buffett would like. And as Buffett likes to say, he is a good businessman because he is a good investor and good investor because he is a good businessman.

I would like to welcome you all to this year's Conference. Thanks to your support of the Centre over the past eighteen years, we've built a successful value investing program offering student apprenticeships through the Ivey Value Fund, as well as many successful annual events, such as Conferences, Symposiums, Stock Picking Competitions, whose 2023 finalists join us today, and value investing Seminars with this year's Seminar to be held in Toronto from May 29 to June 2.

We proudly welcome our panel of professional value investors Mr. Vito Maida, Mr. Will Pan, Mr. Ratul Kapur, Mr. Rui Cardoso, Ms. Laura Geritz and Mr. Robert Robotti, who will speak about value investing around the world and who are a living testament of what I have described. They will tell us how they put what I detailed above into practice in their own portfolios in a global setting.

I am also delighted to have as keynote speakers at the Conference Mr. Anthony Scilipoti, Mr. Howard Marks and Ms. Vicki Hollub who will give us a view of the world which is different from what we are exposed to in our everyday norm.

I would like to thank you all for joining us and hope you have an enjoyable experience at the Conference.

Dr. George Athanassakos

Founder & Managing Director, Ben Graham Centre for Value Investing
Ivey Business School



Panel of Speakers

The Ben Graham Centre's 2023 Value Investing Conference offers a panel of speakers with a proven record of success in the field of value investing. Featured speakers participating at the Conference are:

Morning Keynote Speaker

Anthony Scilipoti, President & CEO, Veritas Investment Research Corporation, Toronto, Ontario, Canada

Luncheon Keynote Speaker

Howard Marks, Co-Chairman, Oaktree Capital Management, L.P., Los Angeles, CA, USA

Fireside Conversation Moderator: Cyrus Madon, Managing Partner and Chief Executive Officer, Brookfield Private Equity Group and Chief Executive Officer, Brookfield Business Partners, Brookfield Asset Management Inc., Toronto, Ontario, Canada

Afternoon Keynote Speaker

Vicki Hollub, President and CEO, Occidental Petroleum Corp., Houston, TX, USA

Panel of Value Investing Professionals

Vito Maida, Founder and President, Patient Capital Management Inc., Toronto, Ontario, Canada

Will Pan, Partner and Co-Portfolio Manager, Hyperion Strategy, Ruane, Cunniff & Goldfarb L.P., New York, New York, USA

Ratul Kapur, CIO, Partner and Portfolio Manager, Scheer, Rowlett & Associates Investment Management Ltd., Toronto, Ontario, Canada

Rui Cardoso, Managing Director, U.S. and International Equities, Beutel, Goodman & Company Ltd., Toronto, Ontario, Canada

Laura Geritz, Founder, Chairwoman and Portfolio Manager, Rondure Global Advisors, Salt Lake City, Utah, USA

Robert Robotti, Founder and Chief Investment Officer, Robotti & Company Advisors LLC, New York, New York, USA



The Ben Graham Centre's 2023 Value Investing Conference

Conference Agenda

7:45am – 8:30am	Registration – Coffee & Breakfast
8:30am – 8:45am	Welcoming the Delegates, Introductions and Opening Remarks Dr. George Athanassakos – Value Seekers vs Value Creators: The Two Sides of Value Investing
8:45am – 9:15am	Morning Keynote Speaker Anthony Scilipoti – Investing Like a Forensic Accountant
9:15am – 9:25am	Morning Keynote Speaker Q&A
9:25am – 11:40am	Value Investor Panel 1 – Presentations and Q&A
9:25am – 9:30am	Value Investor Panel 1 Welcome
9:30am – 10:00am	Vito Maida – Active Investment Strategy Worthy of a Fee
10:00am – 10:30am	Will Pan – The Value of Agency—Owner Operators and Aligned Cultures
10:30am – 11:00am	Ratul Kapur – Dichotomy in Value Investing
11:00am – 11:20am	Value Investor Panel 1 Q&A
11:20am – 11:40am	2023 International MBA Stock Picking Competition – Winner Announcement Announcer: Robert Robotti
11:40am – 12:10pm	Lunch
12:10pm – 12:15pm	Luncheon Keynote Speaker Introduction Introduction and Fireside Conversation Moderator: Cyrus Madon
12:15pm – 12:55pm	Luncheon Keynote Speaker Howard Marks – Environment in Transition
12:55pm – 1:15pm	Luncheon Keynote Speaker Q&A



Conference Agenda

1:15pm – 2:00pm	Coffee Break
2:00pm – 3:55pm	Value Investor Panel 2 – Presentations and Q&A
2:00pm – 2:05pm	Value Investor Panel 2 Welcome
2:05pm – 2:35pm	Rui Cardoso – Avoiding the Value Traps...And the Growth Traps
2:35pm – 3:05pm	Laura Geritz – How do you solve a problem like Korea (Defensive Investors in Emerging Markets)
3:05pm – 3:35pm	Robert Robotti – The Times, They are a Changin', a Changin'...They've Changed!
3:35pm – 3:55pm	Value Investor Panel 2 Q&A
3:55pm – 4:00pm	Afternoon Keynote Speaker Introduction Introduction by: Prem Watsa, Chairman and Chief Executive Officer, Fairfax Financial Holdings Ltd.
4:00pm – 4:30pm	Afternoon Keynote Speaker Vicki Hollub – Growing Value in a Volatile World
4:30pm – 4:40pm	Afternoon Keynote Speaker Q&A
4:40pm – 4:45pm	Concluding Remarks



Keynote Speakers



Anthony Scilipoti

Mr. Scilipoti and his partners founded Veritas Investment Research in 2000. He is a Fellow Chartered Public Accountant, a Fellow Chartered Accountant, a Certified Public Accountant (Illinois) and a member of the Association of Certified Fraud Examiners. He is a licenced portfolio manager. Anthony also serves as a member of the Ontario Securities Commission's Continuous Disclosure Advisory Committee since 2006. In 2019, Anthony was appointed to the Board of the Capital Markets Advisory Committee of the International Accounting Standards Board. Anthony has been very active in accounting standard setting since 2003. He is a former member of the Canadian Accounting Standards Board, the CICA's Emerging Issues Committee, and was the Chair of CPA Canada's Users Advisory Committee. Anthony began teaching in 1997 as a part-time accounting instructor at York University's Schulich School of Business in the MBA and BBA Programs. He was nominated for the Teaching Excellence Award in 1997 and 2003. Several of Anthony's cases have been published in *Cases in Financial Accounting: A Principles Based Approach, First Edition, 2006*. While he no longer teaches full courses, he does guest lectures at the undergraduate and graduate levels and runs custom training programs on financial statement analysis and business valuation for the CFA societies in Canada and the U.S., CPA Canada, as well as Canadian and U.S. analysts and portfolio managers. Anthony is an advocate for investor rights. He is a frequent media commentator and public speaker on issues related to financial accounting and disclosure and is considered an industry expert in special situations related to accounting. In 2006, Anthony was awarded the Award of Distinction by the Institute of Chartered Accountants of Ontario for his impact and leadership in the accounting profession among those under forty.



Howard Marks

Since the formation of Oaktree in 1995, Mr. Marks has been responsible for ensuring the firm's adherence to its core investment philosophy; communicating closely with clients concerning products and strategies; and contributing his experience to big-picture decisions relating to investments and corporate direction. From 1985 until 1995, Mr. Marks led the groups at The TCW Group, Inc. that were responsible for investments in distressed debt, high yield bonds, and convertible securities. He was also Chief Investment Officer for Domestic Fixed Income at TCW. Previously, Mr. Marks was with Citicorp Investment Management for 16 years, where from 1978 to 1985 he was Vice President and senior portfolio manager in charge of convertible and high yield securities. Between 1969 and 1978, he was an equity research analyst and, subsequently, Citicorp's Director of Research. Mr. Marks holds a B.S.Ec. degree cum laude from the Wharton School of the University of Pennsylvania with a major in finance and an M.B.A. in accounting and marketing from the Booth School of Business of the University of Chicago, where he received the George Hay Brown Prize. He is a CFA® charterholder. Mr. Marks is a Trustee and Chairman of the Investment Committee at the Metropolitan Museum of Art; Chairman of the Investment Committee of the Royal Drawing School; and an Emeritus Trustee of the University of Pennsylvania where from 2000 to 2010 he chaired the Investment Board.



Vicki Hollub

Ms. Hollub is President and Chief Executive Officer of Oxy. She has been a member of Oxy's Board of Directors since 2015. During her 35-year career with Oxy, Vicki has held a variety of management and technical positions with responsibilities on three continents, including roles in the United States, Russia, Venezuela and Ecuador. Most recently, she served as Oxy's President and Chief Operating Officer, overseeing the company's oil and gas, chemical and midstream operations. Vicki previously was Senior Executive Vice President, Oxy, and President, Oxy Oil and Gas, where she was responsible for operations in the U.S., the Middle East region and Latin America. Prior to that, she held a variety of leadership positions, including Executive Vice President, Oxy, and President, Oxy Oil and Gas, Americas; Vice President, Oxy, and Executive Vice President, U.S. Operations, Oxy Oil and Gas; Executive Vice President, California Operations; and President and General Manager of the company's Permian Basin operations. Vicki started her career at Cities Service, which was acquired by Oxy. Vicki serves on the boards of Lockheed Martin and the American Petroleum Institute. She is chair of the World Economic Forum's Oil and Gas Community and a member of the Oil and Gas Climate Initiative. A graduate of the University of Alabama, Vicki holds a Bachelor of Science in Mineral Engineering. She was inducted into the University of Alabama College of Engineering 2016 class of Distinguished Engineering Fellows.



Panel of Value Investing Professionals



Vito Maida

Mr. Maida has been in the investment industry since 1987. Prior to founding Patient Capital Management Inc., he held portfolio management positions at Trimark Financial Corp., Hamblin Watsa Investment Counsel and the Ontario Municipal Employee Retirement System (OMERS). Vito has managed a broad number of mandates including high net worth individuals, institutional pension plans and mutual funds. He has developed a reputation as a leading proponent of value investing in Canada. Vito received his MBA from the Ivey Business School (1987) and his B.B.A. from Wilfrid Laurier (1983). He graduated on the Dean's List from both Wilfrid Laurier and the University of Western Ontario. He was awarded the Chartered Financial Analyst's designation in 1990. Vito is a member of the CFA Institute and the Toronto CFA Society.



Will Pan

Mr. Pan is a shareholder of Ruane, Cunniff & Goldfarb, having joined the firm as an analyst in 2010. He serves as co-portfolio manager on the firm's Hyperion strategy. Will graduated cum laude from Harvard College in 2010.



Ratul Kapur

Mr. Kapur is CIO and Partner at Scheer Rowlett & Associates, which he joined in 2017. Prior to joining Scheer Rowlett, Ratul was a Portfolio Manager with Mackenzie Cundill Investment Management. He started his Value investing career with legendary global investor Peter Cundill in 2006. Before that Ratul worked in India in real estate consulting with CBRE. Ratul received a Bachelor of Business Studies (Finance) from the University of Delhi, India, an MBA (Finance) from Simon Fraser University, Canada and is a CFA charter holder.



Rui Cardoso

Mr. Cardoso, MBA, CFA, joined Beutel Goodman in 2013 and has over 20 years of investment experience. He is a portfolio manager and research analyst specializing in U.S. and global equities. Prior to joining Beutel Goodman, Rui spent several years as a portfolio manager at CI Investments and KBSH Capital Management. Rui is a graduate of York University and a CFA charterholder.



Laura Geritz

Ms. Geritz is the CEO and Founder of Rondure Global Advisors, a woman-owned investment firm focused on high quality equity investing with a long-term view. Rondure's strategies include a developing countries portfolio and an overseas-developed country portfolio. Ms. Geritz is the Portfolio Manager for both strategies. Ms. Geritz has served as the Chief Investment Officer of the firm since inception and in 2020 was named Co-Chief Investment Officer. Prior to founding Rondure Global Advisors in 2016, Ms. Geritz spent ten years on the international team at Wasatch Advisors where she was the founding Portfolio

Manager for the Wasatch Frontier Emerging Small Countries Fund (WAFMX) from its inception in 2012 – 2016, a lead Portfolio Manager for the Wasatch International Opportunities Fund (WAIOX) from 2011 – 2016, and a lead Portfolio Manager for the Wasatch Emerging Markets Small Cap Fund (WAEMX) from 2009 - 2015. Ms. Geritz began her financial career in 1997 at American Century Investments as a bilingual investor relations representative. She moved to the investment team in 1999 where she worked as a US Mid/Large Core and Global analyst. In 2004, she joined Mellon Corporation as a senior analyst working on US small- and micro-cap funds. Ms. Geritz graduated with honors from the University of Kansas, earning a BA in Political Science and History. Later, she earned a Master's degree in East Asian Languages and Culture from the University of Kansas. Ms. Geritz is a CFA charter holder. Laura has lived in Japan and speaks Japanese. She is an avid reader. Laura and her husband, Robb, enjoy traveling the globe, and working with children's charities locally and globally.



Robert Robotti

Mr. Robotti is the Founder and CIO of Robotti & Company Advisors LLC, a registered investment adviser, and president of Robotti & Company LLC, a registered broker-dealer. He started his career as an accountant and CPA, and served as CFO of Gabelli & Company. Building on his exposure to other prominent value investors, Bob founded Robotti & Company in 1983. The firm's success over time has been due to his and his team's ability to identify companies trading at a significant discount to intrinsic value. While investing across a wide range of industries, Bob has been particularly active in the energy industry for his entire career.

Bob currently serves on the boards of Panhandle Oil & Gas Inc. (NYSE:PHX) and Pulse Seismic Inc. (TSX:PSD). He was a member of the Securities and Exchange Commission's Advisory Committee on Smaller Public Companies, established to examine the impact of Sarbanes-Oxley Act and other aspects of the federal securities law. Bob graduated from Bucknell University and holds an MBA from Pace University.



VALUE INVESTING

FROM THEORY TO PRACTICE



GEORGE ATHANASSAKOS

Foreword by Prem Watsa



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