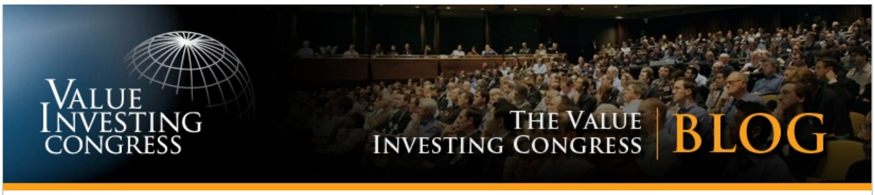

November 17, 2009

Exclusive Joel Greenblatt Video!

Filed under: From the co-founders — Jane Scottsdale @ 4:06 pm

The Value Investing Congress brings you a complete video presentation of one of our featured speakers — Joel Greenblatt's *Formula Investing with a Value Mindset*, from the 5th Annual New York Value Investing Congress! To view the video, visit http://bit.ly/2lZAdT.

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October 22, 2009

5th Annual New York Value Investing Congress Day 2: Part 1

Filed under: From the co-founders — Tags: Bank & Thrifts, Beneficial Mutual Bancorp (BNCL), Coremark (CORE), Corridor Resources (TSX:CDH), Eric Sprott, Hawkshaw Capital Management, Jason Stock, Kian Ghazi, M3 Funds, mid cap, Norseman Gold PLC (ASX:NGX), Quantitative Easing, Sensio Technologies (TSX-V:SIO), Small Cap, Sprott Asset Management, Will Waller — Jane Scottsdale @ 8:51 am

Jason Stock and William Waller, M3 Funds
Banks & Thrifts: Opportunities in a Troubled Sector

M3 was founded in 2007, and invests (long and short) in small and mid cap names in the US bank and thrift sector. There are 1300 publicly traded banks, and 93% have market caps less than $500 million. Stock presented his view of the current state of the banking sector:

• Banks still undercapitalized
• Credit quality still deteriorating
• More bank failures
• Unemployment rate will continue to rise
• Commercial real estate is in trouble

The team is bearish overall on the sector, believing that banks are currently priced for perfection. Still, he and Waller are finding opportunity on the long side, and look for the following:

• Low Price/Tangible Book
• Excess capital
• Low loan/deposits
• Attractive markets
• Bearish management team
• Share repurchase plan
• Attractive deposit base

One of their favorite long ideas:
Beneficial Mutual Bancorp (BNCL)

• $4.2 billion in assets
• Oldest/largest bank in Philly
• Excess capital
• Owns 42 of 68 branches
• Mutual holding company structure has benefits
• Trading at 79% "fully converted book value"

Kian Ghazi, Hawkshaw Capital Management
Kicking the Tires

Ghazi, who runs a concentrated long/short US equity portfolio, emphasizes proprietary, investigative research in his investment process:

• Focuses on value
• Identifies high-quality one-of- a-kind franchises
• Ensures financial strength, have excess cash, strong balance sheet, and monetizable assets
• "Kick the Tires Hard"- know what you own
• Asks: "What could cause stock to drop 30% or more, that would cause you to not want to buy substantially more?"

Ghazi presented the case for Coremark (CORE)

• Second largest distributor to convenience stores
• $300 million market cap
• $30 million net debt
• Trading at 12 times est 2009 earnings, 8 times TTM earnings
• Admits that this is a low margin business with low ROC, but is well capitalized, difficult to replace, underfollowed
• Highly fragmented industry
• Cigarette sales account for 70% of revenue, but just 29% of gross profit
• Company moving toward providing more fresh foods, which have much higher margins. This should more than supplant potentially declining cigarette sales.
• Believes company may ultimately be worth $45-$50

Eric Sprott, CEO Sprott Asset Management
The Financial Crisis Isn't Over

Sprott began by pointing out that Dow 10,000 is meaningless; we were there 10 years ago, and since then, have "accomplished nothing". He is highly skeptical of the US banking industry, and predicts many more bank failures in the days ahead.

Sprott also took shots at the "Quantitative Easing" process being used at the Fed these days, likening it to the very dangerous practice of simply printing more money. He questioned who is buying all of the US govt debt, with issuance up 200% this year, and concluded that it's the central banks doing all of the buying. Sprott then asked the most relevant question: "What happens when quantitative easing is done?"

Sprott believes that gold is a relevant place to invest these days, pointing out a sticky supply/demand situation, fact that more demand is consumed than produced each year, central banks have been selling as the price has risen substantially over the past ten years. He doubts that some who claim to have gold in their vaults actually do.

Some Favorite Ideas:

• Norseman Gold PLC (ASX:NGX)
• Corridor Resources (TSX:CDH)
• Sensio Technologies (TSX-V:SIO)

Jonathan Heller, CFA
No postions

Comments (0)

5th Annual New York Value Investing Congress Day 1: Part 4

Filed under: From the co-founders — Tags: Amanda F. Weir, Cadogan Management, Candace King Weir, Paradigm Capital Management, Paul Isaac, Small Cap, Waste Management, Wet Seal (WTSLA) — Jane Scottsdale @ 8:20 am

Candace King Weir and Amanda F. Weir, Paradigm Capital Management
Bottom-up Stock Picking Back in Fashion?

Candace King Weir and Amanda Weir presented the case for bottom-up stock picking, especially in the small cap universe, believing that in this space:

• Management is more accessible
• Business models are more easily understood
• Companies tend to be domestically based, and have less currency and commodity exposure
• Companies are more nimble, have ability to scale, and can react more quickly to changing events

Part of the Weir's strategy involves frequent contact with management. They focus on one name at a time, and

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are agnostic to both sector weights and macro trends. They believe the current market provides unique opportunities for investors, and such markets occur only once every 1 or 2 decades.

One of their current favorites is retailer Wet Seal (WTSLA):

- Cheap clothes with a fashion edge
- $350 million market cap, $150 million in cash
- 575 stores (495 Wet Seal, 80 Arden B)
- Hired New merchandise managers
- Sees expansion opportunities for Arden B

Paul Isaac, CIO Cadogan Management
Investing as a Pari-Mutual Proposition

Isaac, a first-time VIC presenter, is a 40-year industry veteran. Issac presented the long case for Waste Management (WM):

- Largest waste management company in the US
- 273 landfills, 355 transfer stations
- Trading at 15 times trailing earnings, 14.5 times 2010 consensus estimates
- Trades at 6.8 X EV/EBITDA
- Return on Invested Capital: 8.5%
- Free Cash Flow Yield: 8%
- Dividend Yield : 3.7%
- Bought back 17 percent of outstanding shares over the past ten years; new buyback recently announced
- Barriers to new entry in this business due to regulation
- Permitting new sites is difficult
- Could trade up to 8 X EV/EBITDA
- Potential IRR up to 20%
- Rising operating and net profit margins

Jonathan Heller, CFA

Comments (0)

October 20, 2009

5th Annual New York Value Investing Congress Day 1: Part 3

Filed under: From the co-founders — Jane Scottsdale @ 12:01 pm

5th Annual New York Value Investing Congress Day 1: Part 3

Julian Robertson, Founder, Tiger Management
Question and Answer Session

Investing legend Julian Robertson took questions for a half hour; an extremely pleasant surprise for this Congress. Here are some of Robertson's thoughts:

Concerns about the current state of affairs:

- Big concern is that we are still spending more than we earn, which is not sustainable.
- Debt must be paid back, and we are not even thinking about that.
- More focused on borrowing more from the Chinese, and hoping they won't decide they have better things to do with their money.

On Energy:

- Although bullish on oil stocks, he is impressed by advances in solar energy.
- Believes that solar will continue to improve, wind power too, and this will ultimately help the environment and hurt oil companies.

On China:

- Might be a bubble
- Consumption not enough to pull the world out of recession

On Gold:

- An anti-gold bug-"none has been used since it was discovered"

On Norway:

- The most prosperous/sound country in the world

Companies he's bullish on:

- Visa, Mastercard, Ryanair, Intel

What He's Learned/Best Advice:

- Never be overconfident
- Don't get overly enthusiastic about your business

Lloyd Khaner, Khaner Capital
The Key to Turnarounds

First time presenter at the Value Investing Congress, Khaner, who has compounded 445.4% since 1991 (versus 295.2% for the S&P 500), looks for the following attributes in potential investments:

- Unique management
- Strong decision making ability
- Avoid value traps
- Debt/Equity less than 70%
- Avoid dying industries
- Franchise companies with manageable debt

Khaner is a big believer in the concept of "CEO family trees,"placing value on those that have been trained or worked under other successful CEO's.

Khaner listed the signs of a successful turnaround, including:

- Cutting unprofitable sales
- Cutting headcount
- New senior managers
- Fix customer relationships
- CEO sets plan within 3 months
- Gross Margin up
- SG&A down
- Focus on Return on Capital
- Restructure Debt-Push out maturities.

One of Khaner's favorite ideas is Starbucks (SBUX):

- Slowing new store openings
- Improving service
- Expects positive comps fiscal 2010
- ROIC growth 100-200 bps next 3 years
- FCF $500-$750 million 3 years

Jonathan Heller, CFA

Comments (0)

5th Annual New York Value Investing Congress Day 1: Part 2

Filed under: From the co-founders — Jane Scottsdale @ 11:40 am

5th Annual New York Value Investing Congress Day 1: Part 2

David Einhorn, Chairman, Greenlight Capital
Liquor Before Beer, In the Clear

Einhorn opened his presentation with his thoughts on the importance of learning from bad decisions. He cited his 2005 IRA Sohn conference presentation on the merits of homebuilder NBC Holdings, which ultimately fell 40% as the homebuilding sector collapsed. Although the rest of the sector fell much further, an average of 70%, Einhorn learned the following:

- It is not reasonable to be agnostic about the big picture, a macro view is vital
- Even given the above statement, you can still be a stock picker

Einhorn went onto give a stirring speech about what he believes to be the current macro risks:

- The government is too focused on the short-term, too focused on getting re-elected.
- Too much focus on special interests (protection of banks, for one)

Einhorn believes that the lesson of the Lehman collapse, a company that he very successfully shorted, is that companies should not be so big that their collapse can jeopardize the entire financial system.

He went onto state that he has changed his view about the validity of owning gold, given its propensity to perform well not just during inflationary times, but when monetary policies are poor in general. In terms of form of ownership, Einhorn owns physical gold, believing that to be even more efficient than the ETF.

Joel Greenblatt, Managing Partner, Gotham Capital
Formula Investing with a Value Mindset

Greenblatt, author of “The Little Book That Beats the Market”, presented a re-cap of his concept of the “Magic Formula”, which utilizes earnings yield and return on invested capital as the criteria to select stocks that will outperform. While he admitted that historical return on capital is backward looking, he stated the importance of estimating future ROC.

Greenblatt described two periods of underperformance by the strategy:

- 2/1/2006 through 12/1/2008 (34 months)
- 5/1/2002 through 6/1/2003 (13 months)

Despite his somewhat self-deprecating depiction of the Magic Formula, the returns utilizing the strategy have been outstanding. For instance, using back tested data, the strategy returned 291% or 14.6 % annualized, for the 10-year period ended 5/30/2009. During the same period, the S&P 500 Index was down 2% (-0.2 % annualized). Furthermore, the Magic Formula has outperformed the market for ten of the past eleven years, through 9/30/2009.

Despite the simplicity of utilizing the Magic Formula, Greenblatt's data suggests that it is not a good candidate to use for identifying short candidates. For instance, going long the top decile of Magic Formula companies and short the bottom decile substantially increases portfolio volatility, and does not enhance return.

Jonathan Heller, CFA

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