



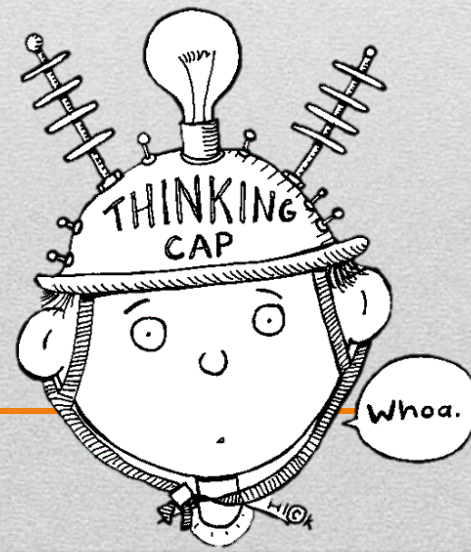
Art of investing

ValuePickr 15 June 2015

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- Why? How?
- Estimate
- Facts vs fiction
- Facing ignorance
- Knowledge gaps
- Iterations
- I don't know
- Bias
- Understand decision-making process
- Maybe
- Likely/probably
- Can that be?
- Uncertain
- Ambiguous
- WTF moments
- Leap of faith
- What's influencing me?

#1 - State of mind



- Think/ Hold/ Track like an owner & acquirer
- ‘See’ biz from owner’s perspective
- Understanding the holding period of the owner – what he expects to gain?
- What motivates owner? Acquirer?
- How will an acquirer evaluate? Benefits of time & costs

#2- Eyes are the windows to the soul



ANTICIPATING MGMT ACTIONS : simple examples

1. Unlock value
2. Send signals of value – dividends, buybacks, demergers, delisting
3. Conflict of interest
4. Capital restructuring
5. Ownership change – open offers

Track the valuation signals at such events



#3 - Rational anticipation

6. Motivation to sell-out, entering into a JV etc
7. Rational look at opportunity cost
8. Valuations of M&A as incentive
9. Timing wrt macro, sector activity

Track the valuation signals at such events

Rational Micro (mostly) vs Irrational Macro Events enable investors to SPOT & VALUE pricing anomalies



#3 - Rational anticipation

- We aren't playing lottery.. No hope investing
- It takes skill+luck to prevent losing & achieving results
- LUCK IS LARGELY MACRO eg. Demographic dividend, tech productivity etc ...WE ARE RIGHT IN THE MIDDLE OF IT.
- Skill is recognising & admitting 'MACRO LUCK'
- Positioning for 'luck' = earn your buck

Luck Vs Skill



Value Lies In The Eyes Of the Beholder



- Discount = Margin of safety
- Fair value as a moving target as more data available
- Valuation in a rough range..need to know this
- Absolute vs relative valuation
- Individual minority shareholders at a big disadvantage...hence buy at larger discount to FV



Buy @ Discount to fair value

- Act of selling itself little understood
- Why sell?
- Drastic mistake or better opportunity?
- Original story changed
- Market/macro calls – p/e, p/bv, dividend yield
- Opportunity cost rationalises switch to another/cash
- Growth rates taper, competitive advantage irreparable

OVERPRICED?

SELL @ PREMIUM TO FAIR VALUE

Selling is more art, error prone

THANK YOU

