



# VALUE INVESTOR DIGEST

## Issue 46 – May 2020

This issue features articles, videos, interviews and letters from John Authers, Petra Capital, StockViews, Howard Marks, Ian Lance, The Value Perspective, Bill Ackmann, Brown Advisory and 8 more below.

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### Consultants Revisit How to Assess Managers Amid Pandemic

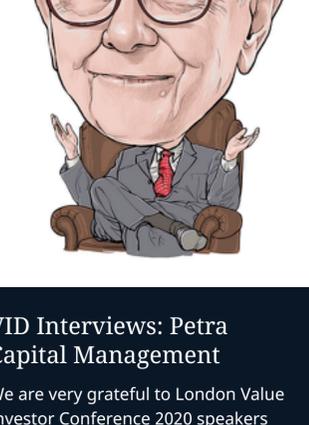
"Can we build the same level of conviction virtually? The answer is probably no, but it's not quite as bad as we feared" said Nick Samuels... "In a theoretical, all-things-being-equal choice between a manager we know well, have visited on numerous occasions, and someone new to us, the latter now has a hurdle to jump over that wasn't there pre-COVID."

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### John Authers: Buffett and Charlie Brown Are Due Some Relief

"Nobody wants to end up like Charlie Brown, flat on his back and staring at the sky while Lucy holds up the football he just tried to kick...For this reason, I am very, very reluctant to call an end to the great decline in the value style of investing that started more than a decade ago. But on balance it really does look as though the moment has arrived."

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### VID Interviews: Petra Capital Management

We are very grateful to London Value Investor Conference 2020 speakers Albert Yong and Chan Lee for taking the time to be interviewed ahead of the conference in November. Chan and Albert cover two investment ideas in this interview: Daou Technology and CS Wind; plus they also speak about other topics including the Korean and global response to COVID-19 and other opportunities as we exit the pandemic.

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### VID Interviews: StockViews on Dart Group and DKSH

"For us, what we are thinking about in that instance is thinking about the cash burn and the liquidity of the business and how long it can survive a zero revenue environment. Dart started with £1.5bn in cash and we think it has got a much more flexible cost base and lower cash burn than maybe people properly appreciate...Dart will come out of this in a better position than its peers."

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### The Day Coronavirus Nearly Broke the Financial Markets

"March 16 was the day a microscopic virus brought the financial system to the brink. Few realized how close it came to going over the edge. The Dow Jones Industrial Average plunged nearly 13% that day...Investors struggled to unload even safe bonds, like Treasuries. Companies and government officials were losing access to the lending markets on which they rely to make payroll and build schools."

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### Ian Lance, RWC: 'In For Free'

"RMG owns a European parcels business, GLS, which makes a 6-7% margin in a normal market environment and which has grown at mid to high single digit (benefiting from structural growth of online retail). In 2019, GLS made an operating profit of £180m and is therefore worth c.£2b if we put it on a multiple of 11x. The current market cap of the entire group is £1.7b and therefore the UK business is not just in for free but actually valued at -£300m."

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### Coronavirus: The Next Normal

"As millions more Americans turned to online shopping during the pandemic, Amazon struggled to keep up with the demand, and its rivals pounced. Target's online sales shot up 141 percent last quarter, while Walmart's rose 74 percent. Etsy's were up almost 80 percent in April. While Amazon's sales did boom, its competitors' grew even more."

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### The Value Perspective: Decision-Making at Times of Uncertainty

"We have run a series of podcasts on the subject of decision-making at times of uncertainty. With the exception of market strategist and author Michael Mauboussin...we set out to interview people who have nothing to do with finance...which includes explorers, members of the military, a space-tech entrepreneur and a film producer."

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### Howard Marks Latest Memo: Uncertainty II

"The best prophet, Thomas Hobbes once wrote, is the best guesser. That would seem to be the last word on our capacity to predict the future: We can't. But it is a truth humans have never been able to accept. People facing immediate danger want to hear an authoritative voice they can draw assurance from."

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### InValuable Insights Webcast Transcript

"So, the U.S. stock market, it took 22 days for the market to fall 30%, compared to 250 days during the financial crisis, and 257 days for the .com collapse. So, 22, 250 during the financial crisis, 257 with the .com collapse. In hindsight, having gone through all of those investing through all those periods, what was this period like versus those other times?"

[Read more](#)

### Behavioural Investment: Investment Risk is About the Extreme and the Unseen

"Another prominent 'feel good today / repent later' risk is overtrading. Whenever we trade in our portfolios it is likely to make us feel better; very few investors are comfortable transacting in a way that causes immediate discomfort (value investors being a notable exception)."

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### Brown Advisory: Reflections for Five Years of Global Leaders

"It continues to amaze us how little energy is dedicated to the subject of capital allocation in the investment management world. The overarching focus of the industry appears to us to be on the treasure hunt of picking winners (and avoiding losers), but we believe the question of how much to invest is mistakenly neglected. We are equally focused on stock selection and capital allocation, and as such we like to distinguish between the two processes."

[Read more](#)

### Bill Ackman Turned a \$27 Million Bet into \$2.6 Billion in a Genius Investment. Here are 12 of the Best Trades of all Time

"The famed investor turned a relatively modest \$27 million bet into a whopping \$2.6 billion windfall...From George Soros' breaking of the Bank of England in 1992, to Michael Burry's now world-famous Big Short during the financial crisis, Markets Insider decided to round up some of the best trades of all time."

[Read more](#)

### John Authers: Stocks Have a Psychologically Important Day

"Passing key landmarks on the S&P 500 may have caused traders to reconsider why they have pushed the market so far...it is often psychologically important to reporters to have at least some kind of an explanation for a strange move in the markets."

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### Rare 1991 Barron's Interview with Seth Klarman

"My first real education in investing came when I took a summer job in my junior year at college with Max Heine and Mike Price at Mutual Shares. They invited me back to join them in January of '79. I worked there about 20 months until I left for business school. Just before graduation, I was offered the opportunity to join with several individuals who had decided to pool their assets and helped to form the Baupost Group to steward those assets. That was 9 1/2 years ago."

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### Eleven Hedge Fund Traders Scored Big During Worst of the Crisis

"The crisis beaters were the exceptions. Most hedge funds, including those run by industry titans such as Ray Dalio and Michael Hentze, failed in their mission to protect investors from the market turmoil. Three in every four hedge funds lost money, with some down as much as 40% in March, according to data compiled by Bloomberg."

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### Martin Hellwig On The Recent German Constitutional Court Ruling And Its Potential Eurozone Implications

"Why did they go to the court where the actual complaint was the following, the ECB is violating the terms of the treaty. It's acting ultra vires, beyond the powers that it has been given. It would be incumbent on the German government and the German parliament to sue the ECB in the European Court of Justice...and if the ECB uses powers that it has not been given, that's such an infringement. And that is a violation of our constitutional rights."

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### Dominic Cummings: The Hollow Men of Westminster (2014)

"Warren Buffett proposed something in the corporate world which I think we [in Government and the Civil Service] should think about...he said 'it appears to me there's only one way to get a rational balanced discussion. Directors should hire a second advisor to make the case against the proposed acquisition that is free contingent on the deal not going through.' This seems to me to be an extremely cunning idea...I think we need to think about changes to the system."

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*Quote of the Issue - VID 46 (from our collection of investment quotes)*

"Great investors are not unemotional, but are inversely emotional – they get worried when the market is up and feel good when everyone is worried."

**Bill Miller**

