



Ben Graham Centre's 1st European Value Investing Conference

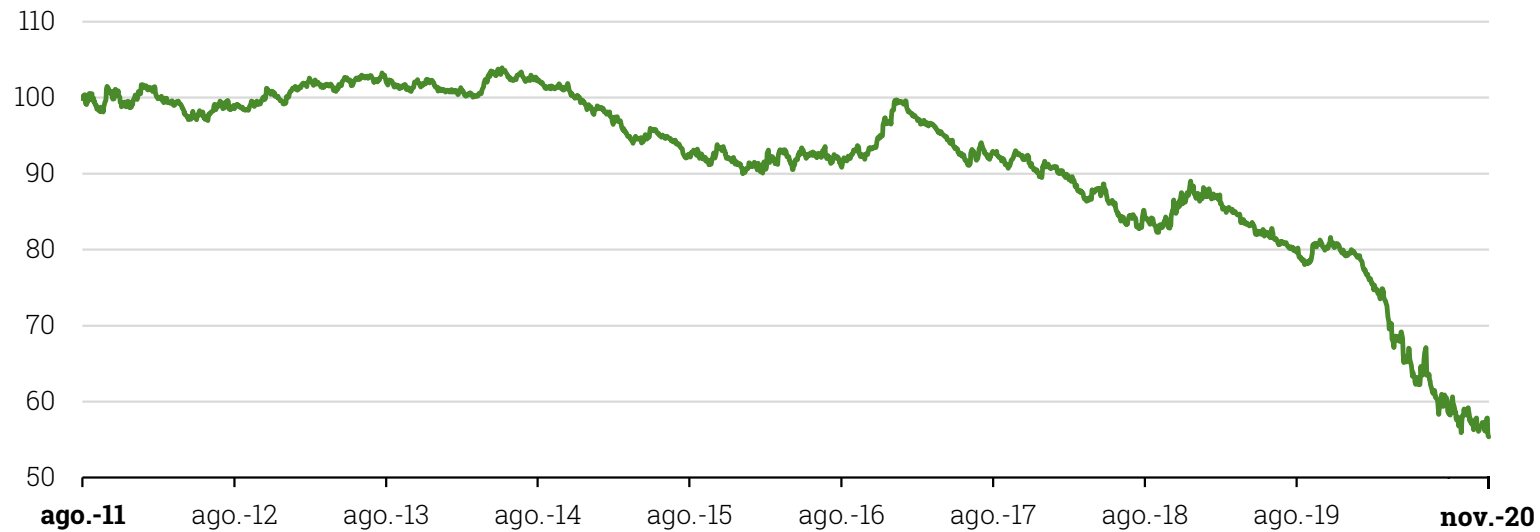
FRANCISCO GARCÍA PARAMÉS

Athens, Greece, 1st October 2021

Value Investing

Last 10 years

MSCI Europe Value TR¹ vs Growth TR² Relative Price

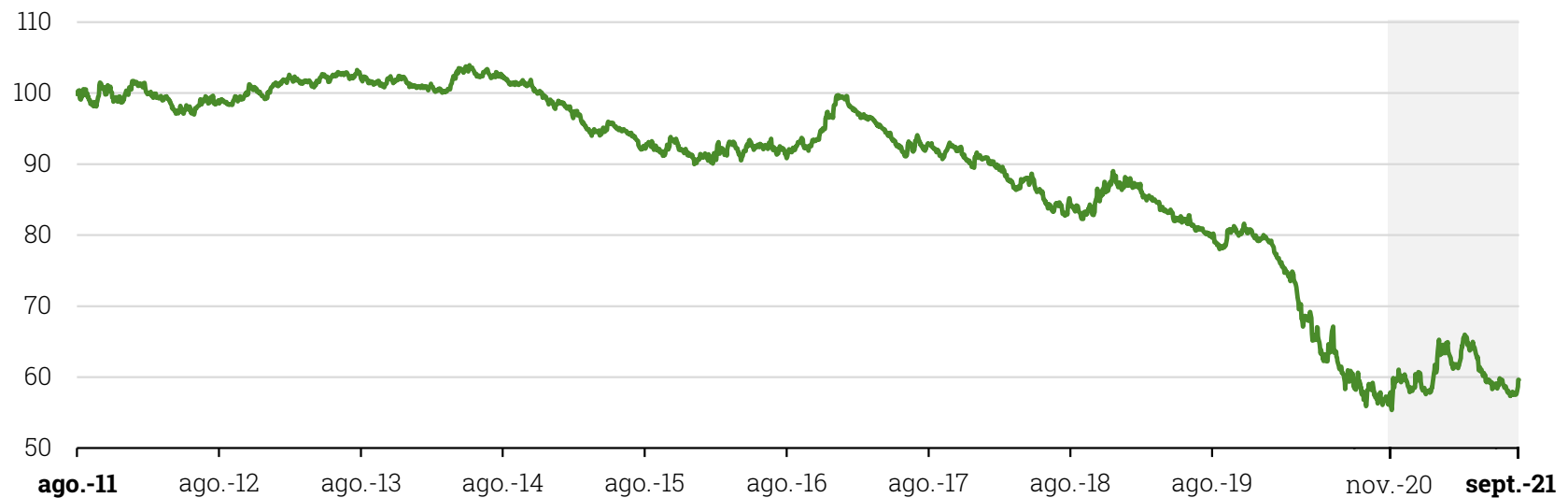


Notes: 1. Index: MSCI World Value TR Index. Source: Bloomberg MIWO000V 2. Index: MSCI World Growth TR Index. Source: Bloomberg MIWO000G

Value Investing

Last 10 years

MSCI Europe Value TR¹ vs Growth TR² Relative Price



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Value vs Growth

What has happened?

Last 10 years

- ➖ Momentum of **Growth** investing.
- ➖ Spread of **passive** investing.
- ➖ Historically low **interest rates**.
- ➖ **Digitalisation** of the economy during 2020.

What can change?



Value VS Growth Situation

What could we expect?¹

Final Scenario	Relative Return
Move to percentile 95%	37.1%
Move to percentile 50%	76.8%

What happened?

Performance 6 Nov. 2020 – 29 Sept. 2021		Relative Return
MSCI Value TR ²	29%	9%
MSCI Growth TR ³	20%	

- We have only seen the **first effects of the rotation**.
- The longer it takes, the more abrupt and **lasting the rotation will be**.

Notes: 1. Research Affiliates August 2020. Reports of Value's Death May Be Greatly Exaggerated. 2. Index: MSCI World Value TR Index. Source: Bloomberg MXWO000V 3. Index: MSCI World Growth TR Index. Source: Bloomberg MXWO000G

Value Investing

Favourable periods for Value Investing, last 50 years

Cycle	Value ¹	Market ²	Relative Return	Months
Jul. 73 - Mar. 78	143.8%	7.6%	127.2%	57
Dec. 80 - Aug. 88	414.7%	150.3%	264.4%	93
No. 90 - Aug. 95	248.4%	117.1%	131.3%	58
Mar. 00 - Feb. 07	190.6%	13.7%	176.9%	84
Dec. 08 - Jun. 14	250.3%	142.8%	107.5%	67
Feb. 16 - Jan. 17	40.2%	19.6%	20.6%	12
Average	213.2%	75.2%	138.0%	62

Source: Sanford C. Bernstein & Co., Pzena analysis

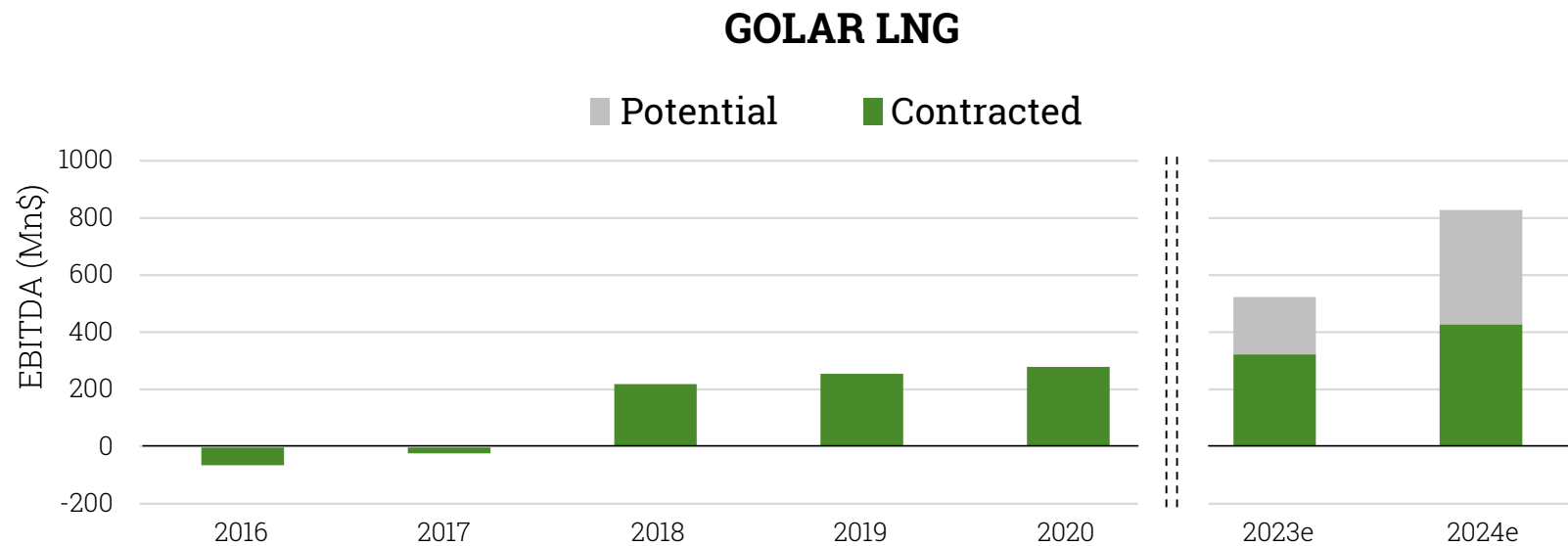
Notes: 1. Cheapest quintile by price - book value of approximately the 1,000 largest companies in the US market (equally weighted data).

2. Data weighted by capitalization.

An hourglass with a brass frame and glass bulbs, filled with reddish-brown sand, sits on a sandy beach. The sand is falling from the top bulb to the bottom bulb. The background is a blurred beach scene with a clear sky.

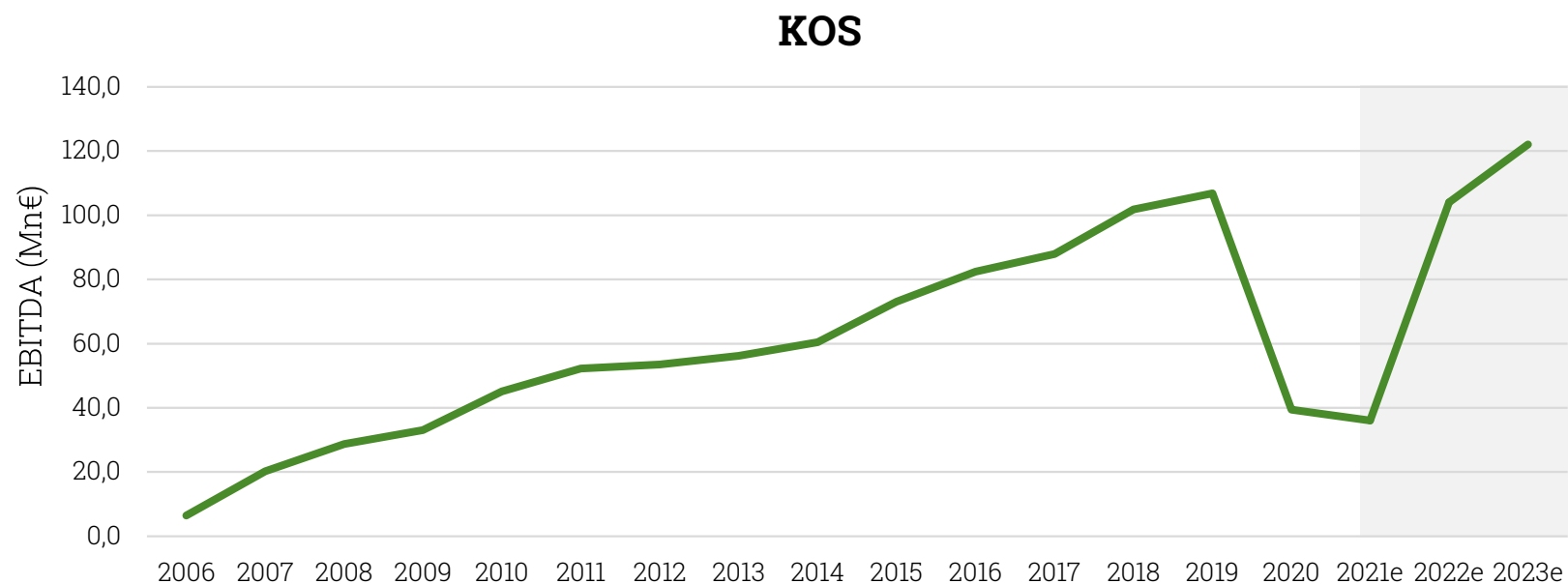
**Boring businesses
that do not grow?**

Businesses that do not grow? Value buys growth, but not at any price



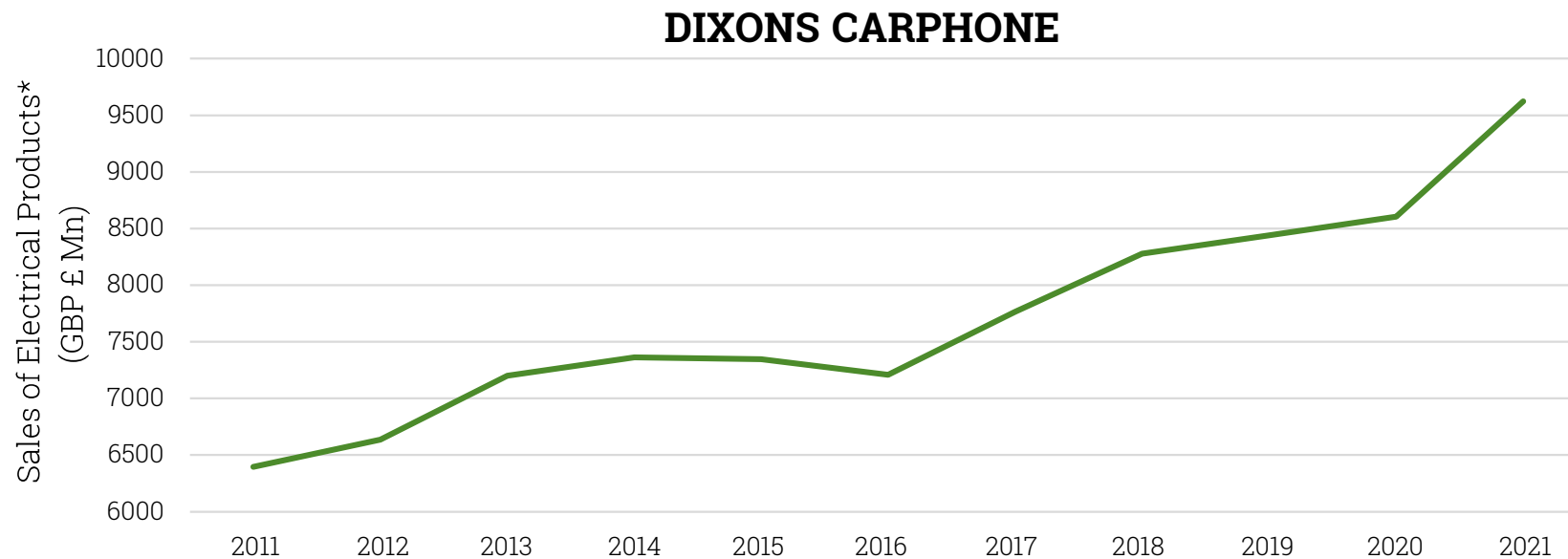
Source: Cobas AM, Golar.

Businesses that do not grow? Value buys growth, but not at any price



Source: Cobas AM, KOS.

Businesses that do not grow? Value buys growth, but not at any price



Source: Dixons Carphone. Note *The sum of sales of electrical products in the UK, Nordic countries and Greece.

A photograph of an oil field at sunset. Several pumpjacks are visible in the foreground and middle ground, silhouetted against a bright orange and red sky. The sun is a large, glowing orb on the horizon, partially obscured by the pumpjack's arm. The ground is dark and appears to be covered in low-lying vegetation or scrub. The overall mood is industrial and dramatic.

Oil

Drilling for value

Introductory comments

Demand back to pre-Covid levels, but supply still lower



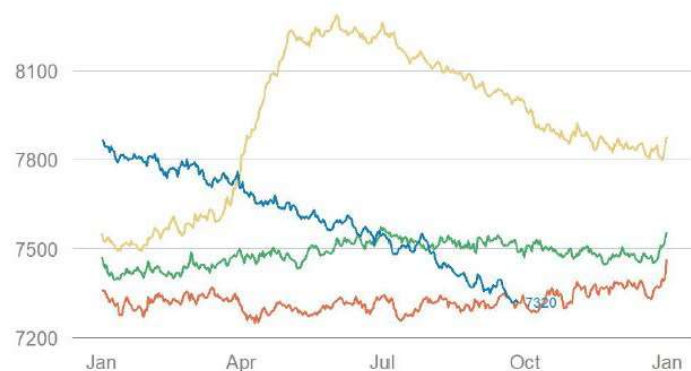
Source: EIA, Rystad, Morgan Stanley Research estimates.

Introductory comments

Therefore global oil inventories have kept decreasing

Observable crude oil and oil products inventories

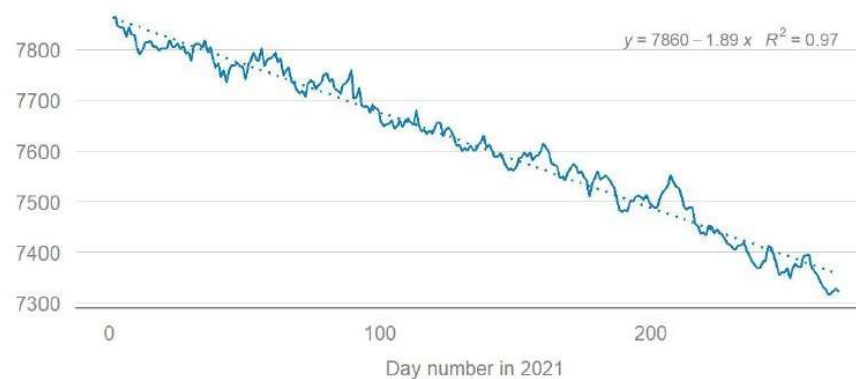
On land, floating and in-transit (in mln bbl)



Note: Inventories include SPR
Source: IEA, EIA/DOE, PJK, IE, PAJ, Platts, Kpler, Morgan Stanley Research analysis

Observable crude oil and oil products inventories

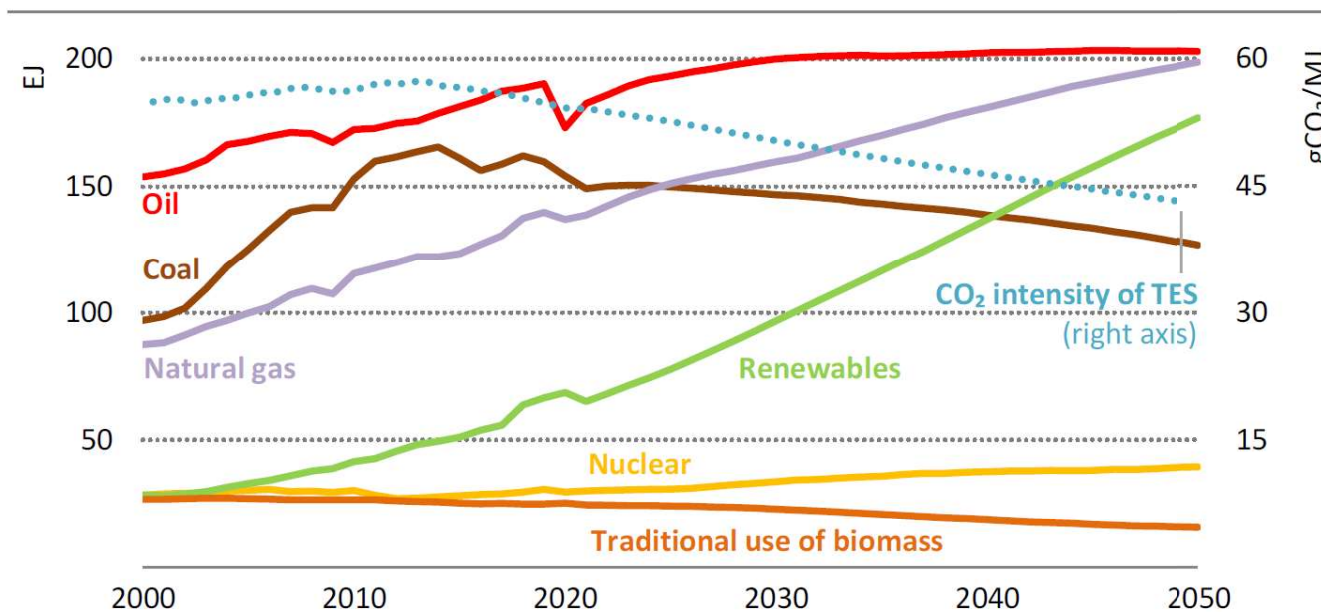
In million barrels, since start of 2021



Note: data includes floating storage and oil-in-transit
Source: IEA, EIA/DOE, PJK, IE, PAJ, Platts, Kpler, Morgan Stanley Research

Source: IEA, EIA/DOE, PJK, IE, PAJ, Kpler, Morgan Stanley Research analysis.

Demand dynamics ...and more O&G under the IEA Stated Policies Scenario



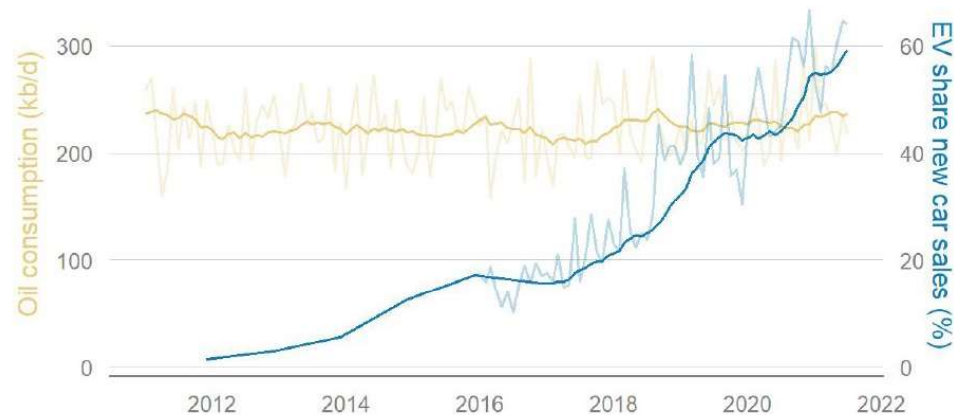
Source: IEA Net Zero 2050 roadmap.

Demand dynamics

With 64% of new cars now electric, why is Norway still using so much Oil?

Electric Vehicles and Oil Consumption

In Norway

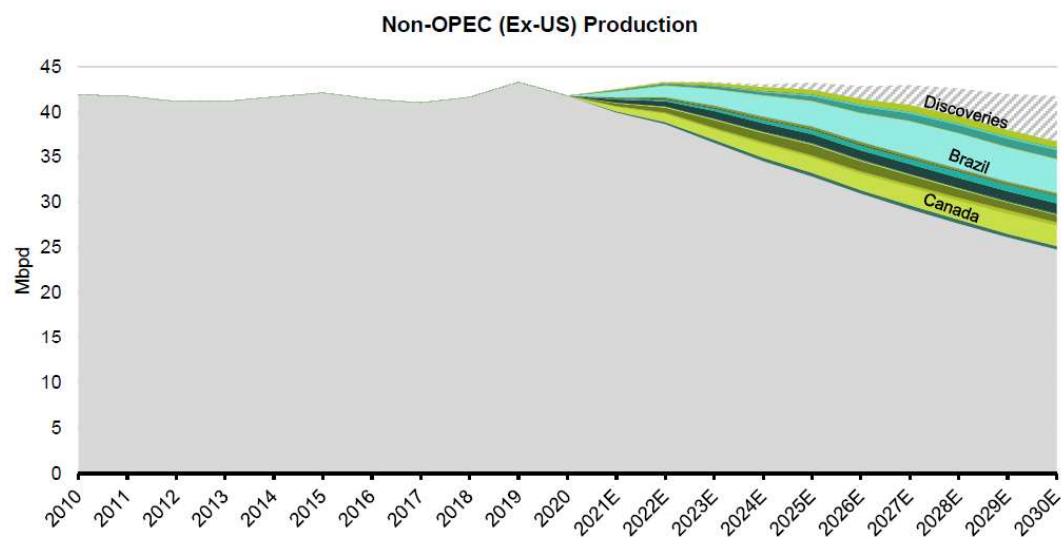


- Cars = 20 – 25% of global oil demand
- Fleet turns over slowly. EVs \approx 10% total
- Total car fleet is still growing
- Use of oil for non-car purposes has increased. Diesel resilient and LPG/ethane growing.

Source: Morgan Stanley, IEA.

Supply dynamics

Decline rates are inevitable without sufficient capex



	2020 Decline Rate		
	Year of Cash Preservation		
Brent	\$43		
	All Fields	Post Peak Fields	Fields in Decline
UK	-14%	-15%	-22%
Norway	-12%	-13%	-20%
US GoM	-40%	-40%	-51%
Brazil	-19%	-23%	-32%
Average	-21%	-23%	-31%

Source: Bernstein.

Supply dynamics

Lack of capital expenditure



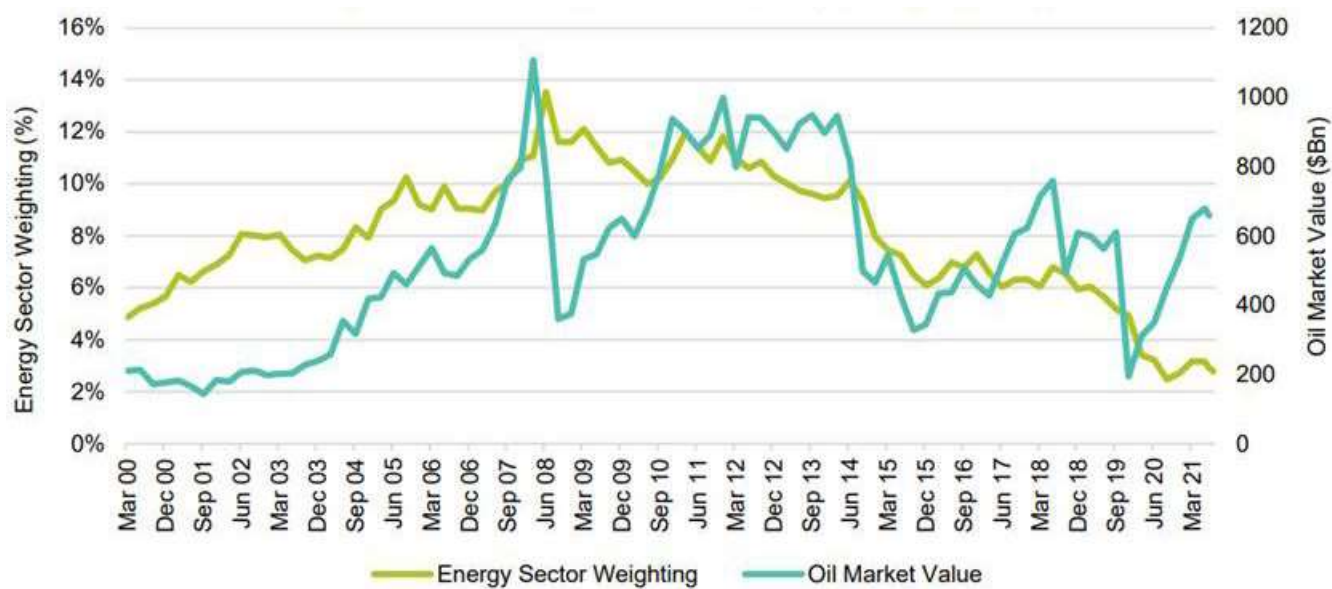
Source: Bloomberg, Morgan Stanley. Note: Oil prices and consensus capex for 112 largest listed oil companies. Consensus capex reflects next 12 months.

Supply dynamics

Some uncomfortable questions arise...

- **How will** the 2mn bbls/day decline rate and 1mn bbls/day demand growth be compensated?
- **Will the necessary** capex return? When?
- **What oil price is needed** to incentivize growth?
- **Who will finance** the growth of this ESG unfriendly business?
- **Will marginal producers** like Shale players remain disciplined?

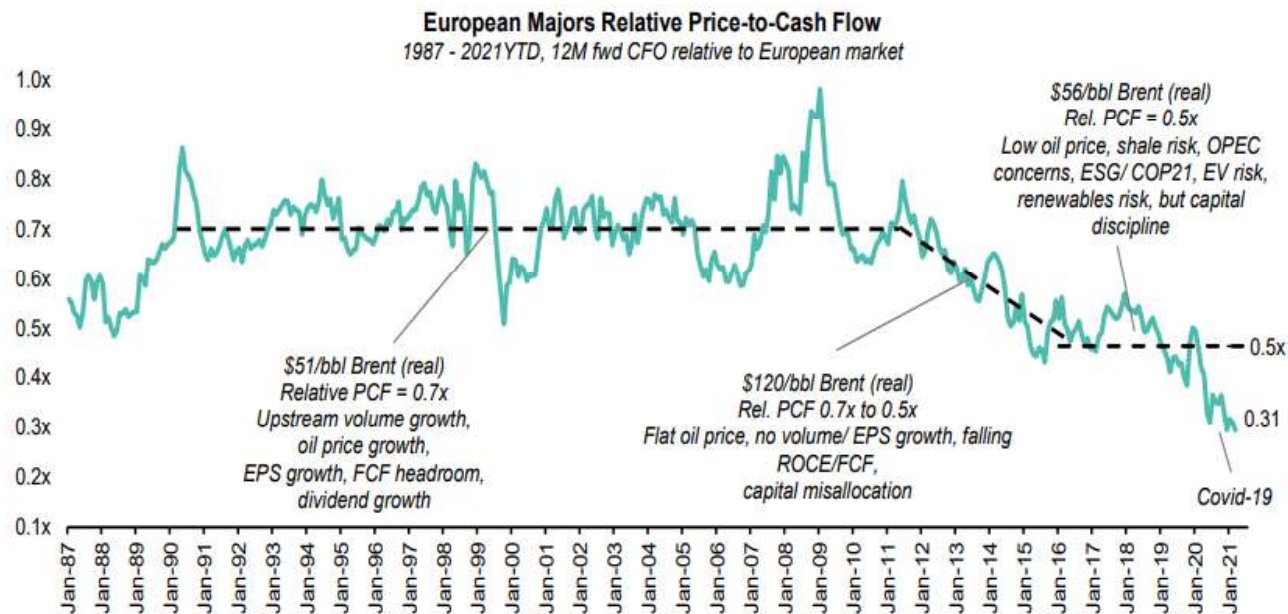
Lifetime opportunity? MSCI World Index vs Oil market value disconnection



Source: Bernstein.

Lifetime opportunity?

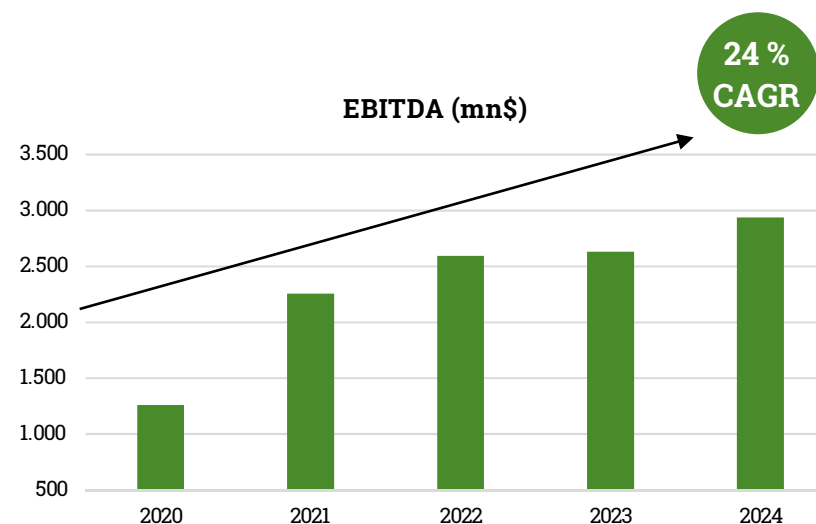
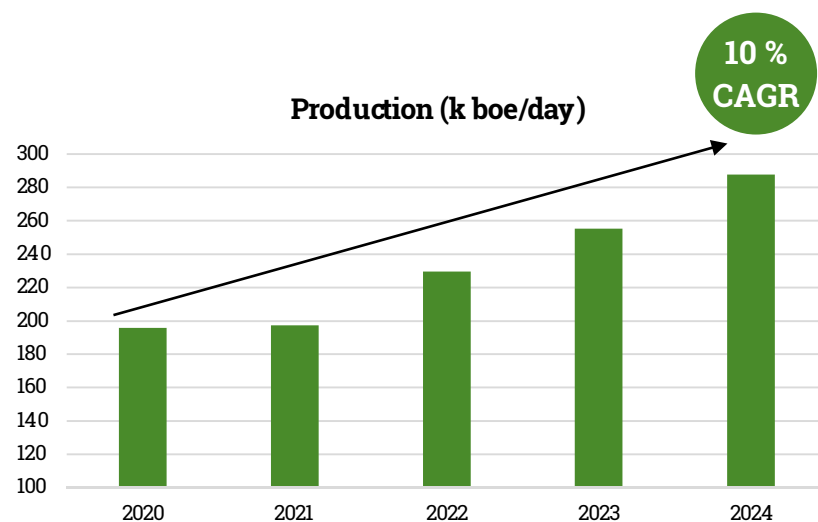
European Majors trading at the cheapest P/CF in 35 years



Source: Bernstein.

Cobas AM O&G businesses

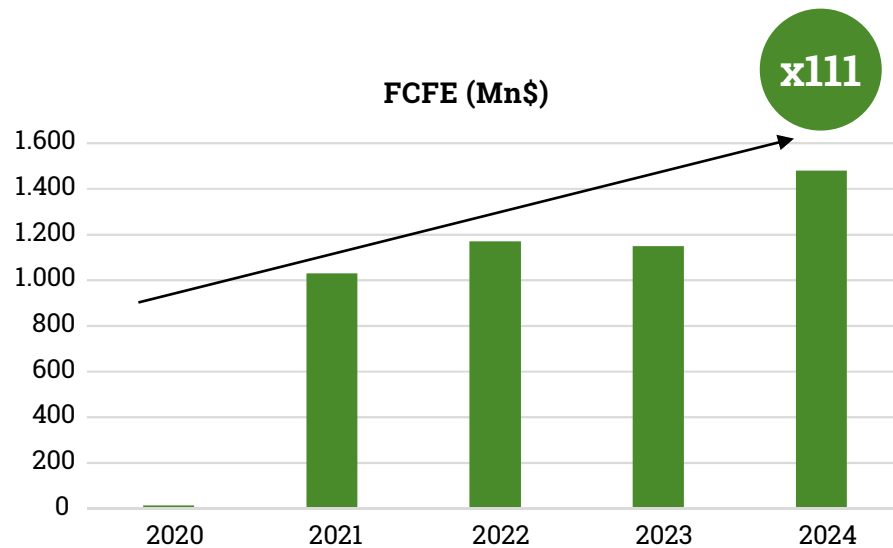
We have found a high value opportunity



Source: Cobas AM estimates based on a proforma of our participation in Kosmos, IPCO, Cairn, Enquest, BW Energy, Panoro. .

Cobas AM O&G businesses

We have found a high value opportunity



Data

Portfolio weight: 10.6%

2P Reserves: ~1,400Mn boe

Market cap: ~\$5,100Mn

Price/boe: \$3.6

Value: ~\$10,000Mn

Value/boe: \$7.1

Avg. P/E: 3x

Source: Cobas AM estimates based on a proforma of our participation in Kosmos, IPCO, Cairn, Enquest, BW Energy, Panoro. .

Conclusions

1. Value doing for good.
2. Value can be growth.
3. Oil producers → classic value opportunities.
4. **Own assets, don't be a creditor.**

Wiley Finance Series

Investing for the Long Term

FRANCISCO GARCÍA PARAMÉS

"Paramés is Spain's most successful fund manager
and is often compared with Warren Buffett."
—Financial Times

WILEY

A photograph of a forest scene. In the foreground, a tree trunk is covered in dark, rough bark. A vertical strip of the bark is missing, revealing a bright teal or turquoise color underneath. The background shows many other tree trunks, some of which also have faint teal markings. The ground is covered in brown leaves and twigs. The text "ANY QUESTION?" is overlaid in white, bold, sans-serif font in the center of the image.

ANY QUESTION?

Photo: Evan Dennis, Unsplash

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