

Ben Graham Centre's 2nd European Value Investing Conference

October 7, 2022
Megaro Bodosaki
20 Amalias Ave
Athens, Greece



IMPROVING LONG RUN INVESTMENT PERFORMANCE

www.greekvalueinvestingcentre.com



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

George Athanassakos

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





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 stock picking over the years, particularly with regards to the value investing view of risk and risk management. And I would like to set the record straight - I cover this extensively, among other things, in my recently published book "**Value Investing: From Theory to Practice**".

The two key tenets of modern portfolio theory are that investors should hold well-diversified portfolios and that, in this setting, the only risk that matters is beta risk - volatility-based risk. According to the theory, markets will reward investors for beta risk alone. Academics argue that anyone who tries to pick stocks only achieves a high level of diversifiable risk for which they will never be rewarded and that exposes them to large losses.

Value investors reject both tenets of modern portfolio theory. They don't believe astute investors must hold well-diversified portfolios and they reject the notion that beta is a measure of risk.

Is there a need for a well-diversified portfolio?

Academics regard diversification as a substitute for due diligence. They believe stock-by-stock analysis is a wasted effort and that diversification will save us all. Of course, if we cast our minds back to October 2008 or March 2020, experience tells us that diversification doesn't work when we most need it to. Even if we accept that diversification reduces risk, its downside is that it also dilutes returns and limits an investment's upside. In fact, economic theory suggests that a perfectly diversified portfolio will earn the risk-free rate in the long run. So why not just cut to the chase and invest directly in government bonds?

Beyond this, though, diversification would work if we knew and could measure all possible risks. However, we can't. There are two kinds of risks: the risks we know we don't know — those measured by the variance of returns — and the risks we don't know we don't know — those that aren't captured or measured by the variance of returns. Diversification doesn't protect us against the risks we don't know we don't know.

In a book they wrote in 2006, the late mathematician Benoit Mandelbrot and former *Wall Street Journal* editor Richard Hudson showed the daily returns of the Dow Jones index for the period between 1916 to 2003 didn't plot out as a bell curve — the far edges flared too high. These risks are more commonly referred to "fat tails." The first academic to discuss this was John Maynard Keynes, but his view of risk didn't prevail because it was difficult to quantify and capture in mathematical models. What prevailed was the view of mathematician Thomas Bayes: that risk is like roulette; we know all the odds even though we don't know what number will eventually arise. Unfortunately, risk in the markets isn't like roulette. In the game, the odds are fixed and what we observe around us doesn't affect the odds. Our world is more like poker, when whatever we observe around us affects the odds. It isn't possible to develop formulae and closed-form solutions. As a result, models that are developed based on the bell curve will fail.

Recently, even super-quant academics have come around and admitted the fallacy of developing and depending solely on formulae. Andrew Lo and Mark Mueller from the Massachusetts Institute of Technology recently penned an article titled, *Warning: Physics envy may be hazardous to your wealth*, in which they argue that "physics envy has created a false sense of mathematical precision."

What do value investors want?

Value investors want to reduce risk without limiting the upside. How do value investors handle risk? They select securities after in-depth due diligence. They choose to invest in companies whose business they understand with a history of stable cash flows. They never buy on margin and avoid companies that are over-leveraged. They employ position limits. They have checklists of why they want to buy and what they're buying. They adhere to a disciplined process of when to buy and when to sell and they never short stocks, among other risk mitigating strategies. More importantly, value investors employ the concept of margin of safety. They only buy a stock if its price is well below its intrinsic (fundamental) value.



To be clear, value investors don't totally reject diversification. If they did, they would hold only one stock. They tend to hold concentrated portfolios of between 15 and 30 stocks. They believe that some diversification, along with the margin of safety, go a long way in dealing with the risks discussed above.

In 2009, Nassim Taleb, Daniel Goldstein and Mark Spitznagel co-authored a *Harvard Business Review* article on the six mistakes executives make in risk management. Two of the problems they identified were studying the past and putting faith on the variance of stock returns. They end the article by stating that risk managers place a greater emphasis on making money than on avoiding losses. Avoiding losses is key for value investing. Value investors would rather minimize risk than maximize returns. This is the role that the margin of safety plays.

Is beta a risk measure?

Value investors reject the notion that beta is a measure of risk. Risk for value investors isn't volatility. Volatility is good. Risk is the possibility of permanent loss of capital. We have permanent loss of capital, for example, when investing in an over-leveraged company that will go bankrupt in a recession or when investing on margin and forced to sell even though this may be undesirable. Value investors aren't alone in taking this position. Even the academic most responsible for popularizing beta, Eugene Fama from the University of Chicago, referred to the estimation of beta as "garbage" in a 2016 paper he co-authored with Joel Stern.

Will value investors' view of risk change the views of risk at universities? Of course not. Academics are too invested in the status quo to have a few value investors or even a few aging academics argue against modern portfolio theory. But next time you hear that we must diversify and that beta is a measure of risk, ask why billionaire investors like Warren Buffett, Charlie Munger and Seth Klarman have mocked those concepts and much of what's taught in finance departments at universities around the globe.

Advice for investors

My advice to professionals, especially those who are starting out, is to never start your analysis with spreadsheets and formulae. This shows you don't understand what's happening and you're trying to hide behind the formulae. I'm not alone on this. Buffett has also cautioned investors to "beware of geeks bearing formulas." Another value investor, Avner Mandelman, also cast doubt on the idea that understanding financial numbers requires complicated formulae, saying "the essence of business — the conflict, the personalities, the drama — cannot be encapsulated in language, let alone in math."

Instead, start with the qualitative analysis. Demonstrate you understand the company, the business, the management, the industry and the competitive situation. Once you get the qualitative stuff right, then you start putting in the formulae and the spreadsheets — not the other way around.

On behalf of the Ben Graham Centre for Value Investing (Europe) and the Greek Centre for Value Investing, I would like to welcome you all to the 2nd European Value Investing Conference. The Conference will provide a forum to explain, discuss and debate the principles, practices and various applications of value investing from a global context with emphasis on the European markets.

I proudly welcome our panel of professional value investors who will speak about value investing around the world, with emphasis on European Value Investing, 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.

I am also delighted to have as keynote speaker at the Conference Mr. George Chryssikos, Vice Chairman of Eurobank Group, who will give us a view of the Greek financial markets that 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.

George Athanassakos

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



Panel of Speakers

The 2nd European 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:

Keynote Speaker

George Chryssikos, Vice Chairman, Non-Executive Director of the Board of Directors, Eurobank Group, Athens, Greece

Panel of Value Investing Professionals

Jan Hummel, Chief Investment Officer and Founder, Paradigm Capital AG, Grünwald, Germany

Pavel Begun, Co-Founder & Managing Partner, 3G Capital Management LLC, Toronto, ON, Canada

John Zolidis, Founder and President, Quo Vadis Capital Inc., Paris, France

Nicolas Scheuermann, Founder and Managing Director, Scheuermann & Co. AG, Zurich, Switzerland

Nigel Waller, Chief Executive Officer, Chief Investment Officer and Portfolio Manager, Oldfield Partners LLP, London, UK

Alejandro Muñoz, Founding Partner, Equam Global Value, Madrid, Spain

George Koufopoulos, Chief Executive Officer and Chief Investment Officer, 3K Investment Partners, Athens, Greece



The Ben Graham Centre's 2nd European Value Investing Conference

Conference Agenda

09:15am – 10:00am	Registration & Coffee
10:00am – 10:15am	Welcoming the Delegates, Introductions and Opening Remarks Dr. George Athanassakos – “What they will not teach you at the University”
10:15am – 10:45am	Keynote Speaker George Chryssikos – “The Grivalia Story”
10:45am – 11:10am	Q&A
11:10am – 13:10pm	Value Investor 1st Panel Presentations and Q&A
11:10am – 11:40am	Jan Hummel - “Value Investing with a Portfolio Risk Management Approach”
11:40am – 12:10pm	Pavel Begun – “Value Investing in Global Context - Lessons Learned...and Unlearned”
12:10pm – 12:40pm	John Zolidis – “Three Conflicts For Value Investors -- Schrodinger's Cat, The Penrose Heuristic & The Birmingham Screwdriver”
12:40pm – 13:10pm	1st Value Investor Panel Q&A
13:10pm – 14:10pm	Light Lunch
14:10pm – 16:40pm	Value Investor 2nd Panel Presentations and Q&A
14:10pm – 14:40pm	Nicolas Scheuermann – “Some Perspective on Value Investing History and Process”
14:40pm – 15:10pm	Nigel Waller – “Oldfield Partners: A Classic Contrarian Approach to Value”
15:10pm – 15:40pm	Alejandro Muñoz – “Public to Private Transactions: The Link between Value Investing and Private Equity”
15:40pm – 16:10pm	George Koufopoulos - “Valuable People and Value Investing”
16:10pm – 16:40pm	2nd Value Investor Panel Q&A
16:40pm – 18:00pm	Concluding Remarks followed by Reception



Keynote Speaker



George Chryssikos

Mr. Chryssikos founded Grivalia Management Company and has an active leading and managing role. At this moment Grivalia has € 3.1 bn of assets under management and continues capital deployment in the Greek real estate sector. George has founded Grivalia Hospitality platform in 2015 to deploy capital in the very attractive high-end hospitality sector in Greece and abroad. The company has already invested in seven hospitality assets with an estimated value of over €0.5 bn and it is managed by Grivalia Management Company. George served as Chief Executive Officer, Executive BoD member and Chairman of the Investment Committee of Grivalia Properties REIC. Together with his team, George has completed real estate transactions of over €1.2 bn in commercial and leisure real estate. George is currently Vice Chairman, Non-Executive Director of the BoD of Eurobank Group. In the past George was Managing Director of Corporate Value Partners, CEO of DTZ in Greece, BoD advisor at Iaso Healthcare Group and Senior Associate in McKinsey & Co at the London Office specializing in private equity. He has also experience in the construction industry in Greece, having worked as Project manager for more than 2 years in a specialized construction company. George holds an MBA in Corporate Finance & Strategy from Columbia Business School (NY), an MSc in Engineering & Construction Management from UC Berkeley (CA) and a MEng in Civil Engineering from National Technical University of Athens. In his younger age, George was a National Champion in sailing and member of the Greek National Sailing Team for many years.



Panel of Value Investing Professionals



Jan Hummel

Mr. Hummel is a Swedish national residing in Munich, Germany. Mr. Hummel holds an MS degree from the Stockholm School of Economics and an MBA degree from Harvard Business School, Boston. He is the CIO and founder of Paradigm Capital AG, a private investment company which manages more than 1.5 bn USD including the Paradigm Capital Value Fund, which was established in 2007. Prior to entering HBS, he was an associate at Booz, Allen & Hamilton in London. Subsequently, he was an investment banker with Merrill Lynch in New York and London. Mr. Hummel then spent eleven years making private equity investments in Germany and the Nordics. He was a principal in more than 15 private equity transactions. Four of these resulted in stock exchange listings and the remaining were exited in trade sales. He is a member of the Swedish Economics Society and a Conventor of the Peutinger Collegium, Munich.



Pavel Begun

Mr. Begun, has over seventeen years of experience in valuation-based investing. Prior to co-founding 3G Capital in 2004 he worked as a research analyst for Fiduciary Asset Management and also for A.G. Edwards & Sons where he was responsible for equity research across multiple sectors. From 2010 through 2017 Mr. Begun sat on the Board of Directors of AlarmForce Industries, a leading Canadian residential alarm monitoring company, whose shares are traded on the Toronto Stock Exchange. From 2012 through 2017 Mr. Begun was a Non-Executive Director at Grafenia PLC, a UK-based provider of software and systems for the graphic arts industry, whose shares

are traded on the London Stock Exchange. Mr. Begun graduated with Honors from the University of Chicago with an M.B.A. in Accounting and Finance and he also graduated valedictorian from Western Kentucky University with a B.S. in Finance. He is a Chartered Financial Analyst and a member of the Toronto Society of Financial Analysts. Mr. Begun has been a guest speaker at a number of universities and also at various investing conferences giving lectures on the topic of investments since 2001. He was named the recipient of CFA Magazine's annual Most Driven honor in 2007.



John Zolidis

Mr. Zolidis is the Founder and President of Quo Vadis Capital, Inc., a Registered Investment Advisor. Mr. Zolidis formed Quo Vadis in 2017 to provide high-quality research on the restaurant and retail industries for institutional investors as well as consulting services to companies in the industries. Quo Vadis Capital also manages equity investments for individuals in separately managed accounts. Previous to founding Quo Vadis, Mr. Zolidis was a sell-side analyst at Buckingham Research covering retail and restaurant Founder and Presidents. Mr. Zolidis also served as a buy-side consumer analyst at Buckingham Capital Management, a long-short hedge fund. He was with Buckingham since 2001. He was added to the Wall Street Journal's "Best on the Street" list in 2005 for the Specialty Stores category. Prior to Buckingham, he got his start on Wall Street at Sidoti & Co. and Morgan Stanley. His undergraduate studies were at Mansfield College, University of Oxford and at Kenyon College where he graduated with a degree in Philosophy. Mr. Zolidis currently resides in Paris, France with his wife and two daughters.



Nicolas Scheuermann

Mr. Scheuermann is the Founder and Managing Director of Scheuermann & Co. AG, a Swiss based firm based in Switzerland specializing on Value Investing and representing Tweedy Browne in Europe. The firm was founded in 2002, prior to founding the firm Nicolas held various positions in Investment banking at Deutsche Bank, Bank Sal. Oppenheim Jr. & Cie, Credit Suisse and Swiss Bank Corporation in Zurich and New York. He started working in finance in 1987 after graduating with a Master's degree in Economics from the University of Lausanne, Switzerland.



Nigel Waller

Mr. Waller is one of the founding partners of Oldfield Partners. He was previously at MLIM for 13 years. He was a director and portfolio manager on the global team. At MLIM he was also a member of the emerging markets and European teams in London and, from 1997 to 1999, the Asia team in Singapore. He graduated from City University. He is Chief Investment Officer and Chief Executive. He co-manages the global and EAFE equity portfolios and contributes to the overall investment selection.



Alejandro Muñoz

Mr. Muñoz co-manages Equam Global Value, a Luxembourg based fund that invests in European equities with value investing criteria, since 2015. Prior to Equam, Alejandro was responsible for private and public investments at Corporacion Alba, a Spanish listed holding company. He has been member of the board of Celtel International, a telecom operator with activities in 14 African countries, JLT March, one of Spain's leading insurance brokers, Antevenio, an internet advertising company listed in Alternext, and Ifara Tecnologías, a software development company based in Madrid. Prior to working at Corporación Alba, Alejandro was part of the M&A team at Bankers Trust. He teaches value investing at OMMA.



George Koufopoulos

Mr. Koufopoulos is the Founding Partner of 3K Investments since the Management Buy Out of ING Investment Management Greece by 3K. He is Chairman of the Board, CEO & CIO of 3K Investment Partners. He has over 20 years of professional experience in the financial sector. He received BA in Mathematics from the University of Athens and an MBA in International Banking & Finance of Birmingham University. He is inspired by the American economist and entrepreneur, Warren Buffet, while his business model in terms of structure, activities and results is 3G Capital. Additionally, he is a marathon runner.



VALUE INVESTING

FROM THEORY TO PRACTICE



GEORGE ATHANASSAKOS

Foreword by Prem Watsa



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