


Value Investing in Asia

Ben Graham Center for Value Investing
Value Investing Conference
April 8, 2014



THE OVERLOOK PARTNERS FUND, L.P.



“Buy some stocks and wait for them to go up, and then sell them. If they don’t go up, don’t buy them.”

– Will Rogers



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"He'll be sorry he missed you. But I can assure you that at the time we all considered it a stock with strong growth possibilities."

WISHING YOU ALL THE ENERGY YOU NEED FOR
A HAPPY AND PROSPEROUS 1974.

J. BUSH & CO.
Incorporated



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The Overlook Model



Two Drivers of Outperformance

- **Proven Investment Philosophy**

- Superior Businesses
- Management with Integrity
- Bargain Valuation
- Long Term Time Horizon

- **Business Component**

- Delivery of Returns to Investors
 - Measured by “Discount” Between TWR & CWR
- Single Fund Structure
- Legal Limit on Growth of Subscriptions
- Commitment to Cut Fees

- **Too Many Managers Ignore Business Component**



Path to Performance in Asia

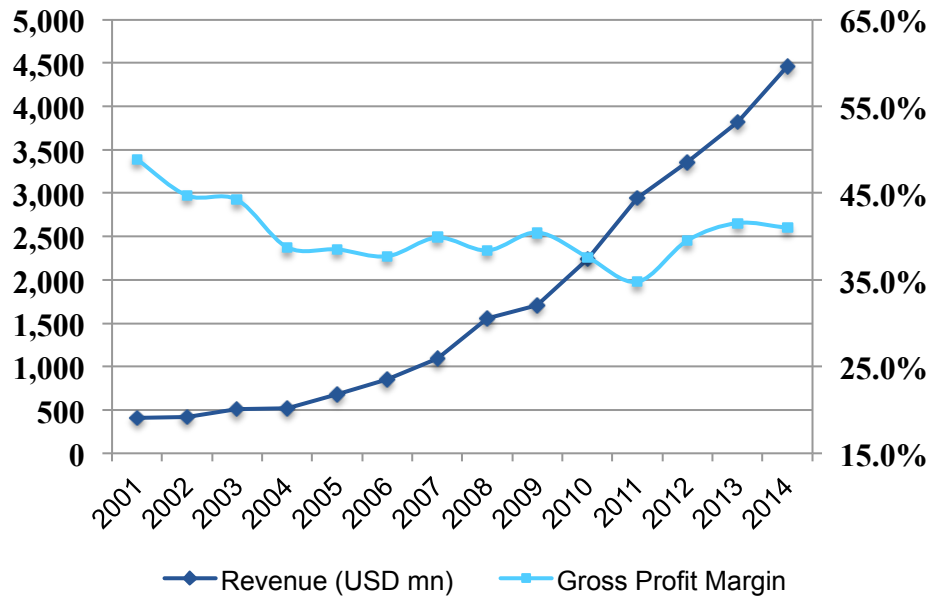
- Pricing Power
- Utilization of Free Cash Flow
- High Profitability
- Sustainable EPS Growth
- Valuation



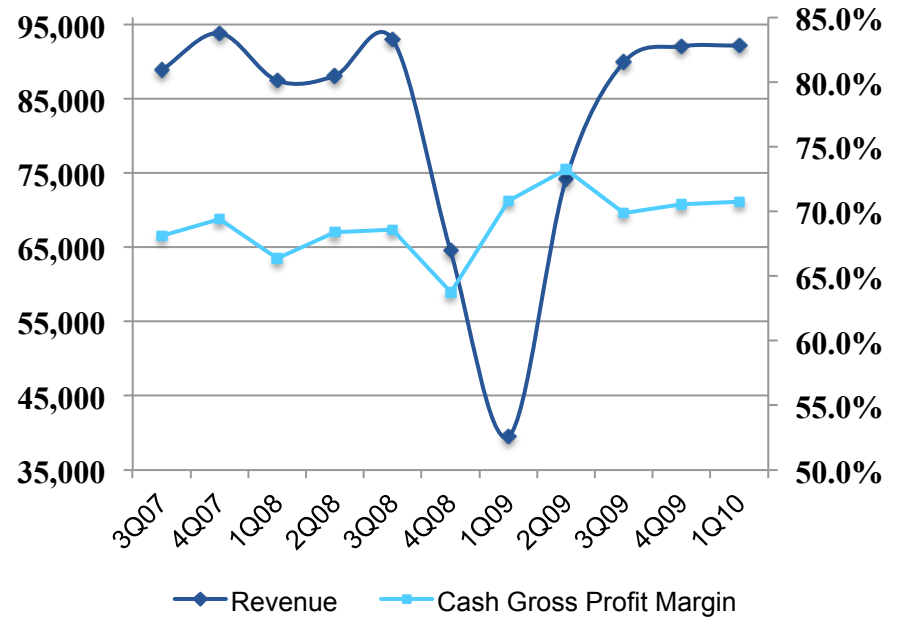


Pricing Power In Action

Want-Want Holdings



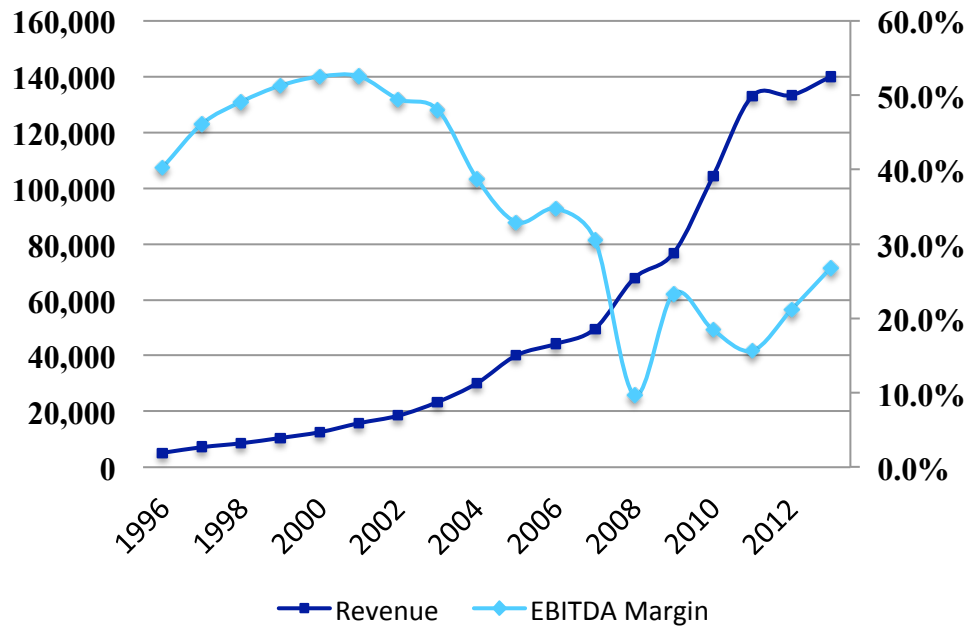
TSMC



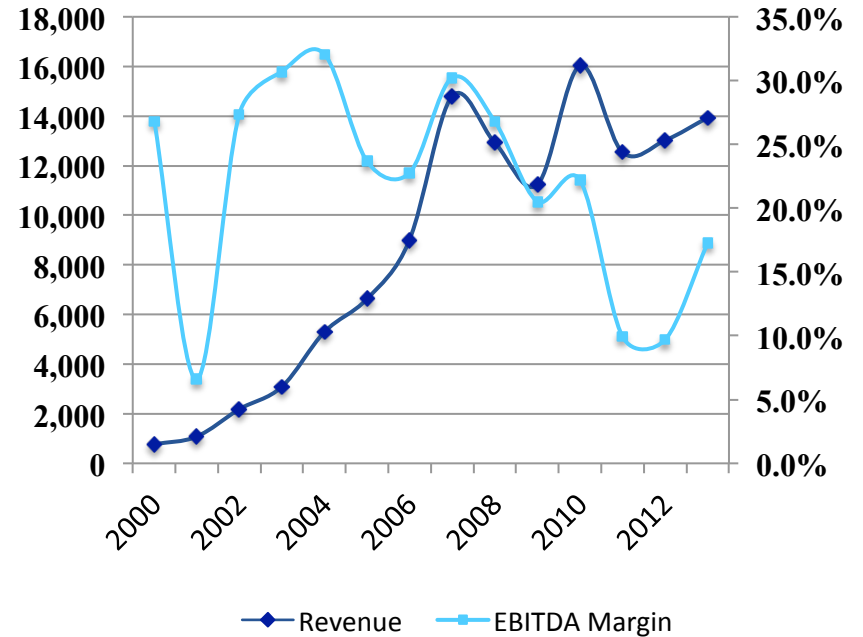


Companies without Pricing Power

Huaneng Power International

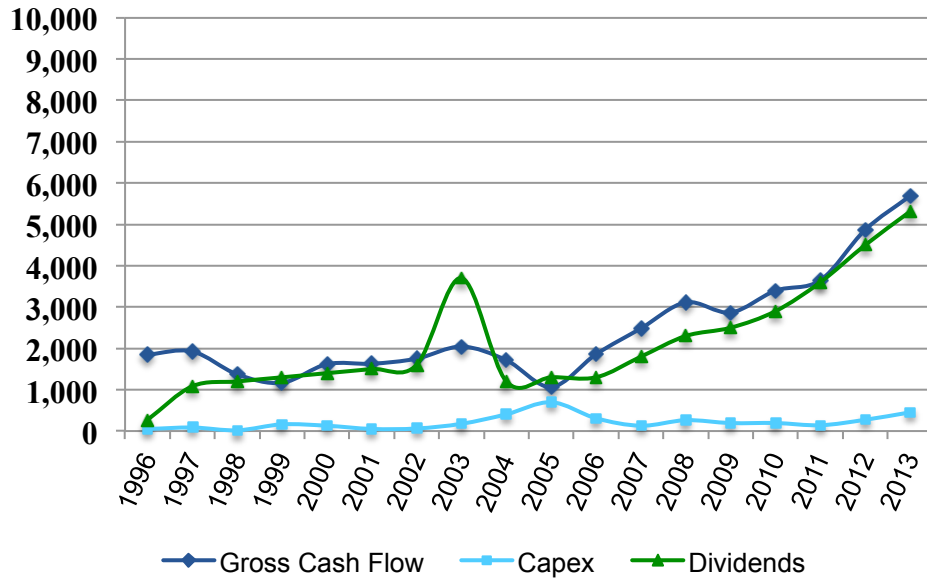


Au Optronics

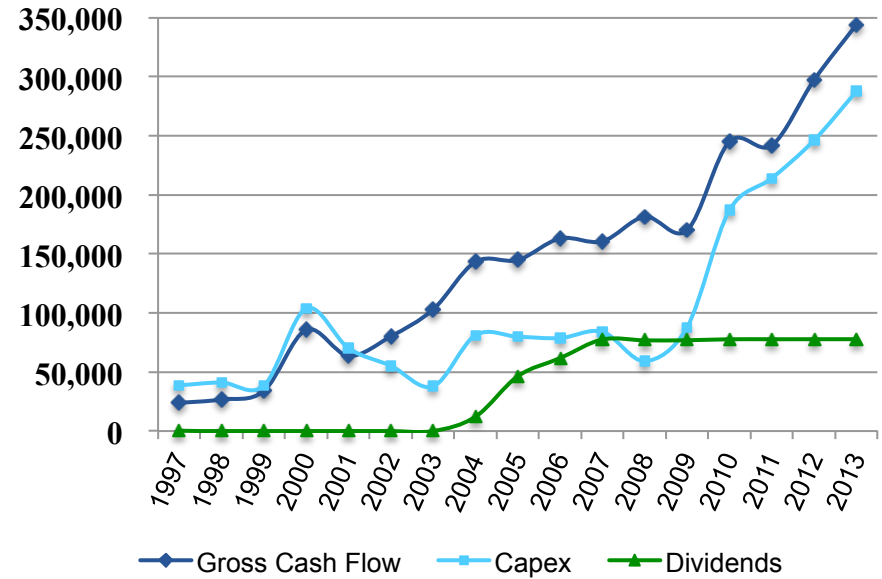


Different Utilizations of Free Cash Flow

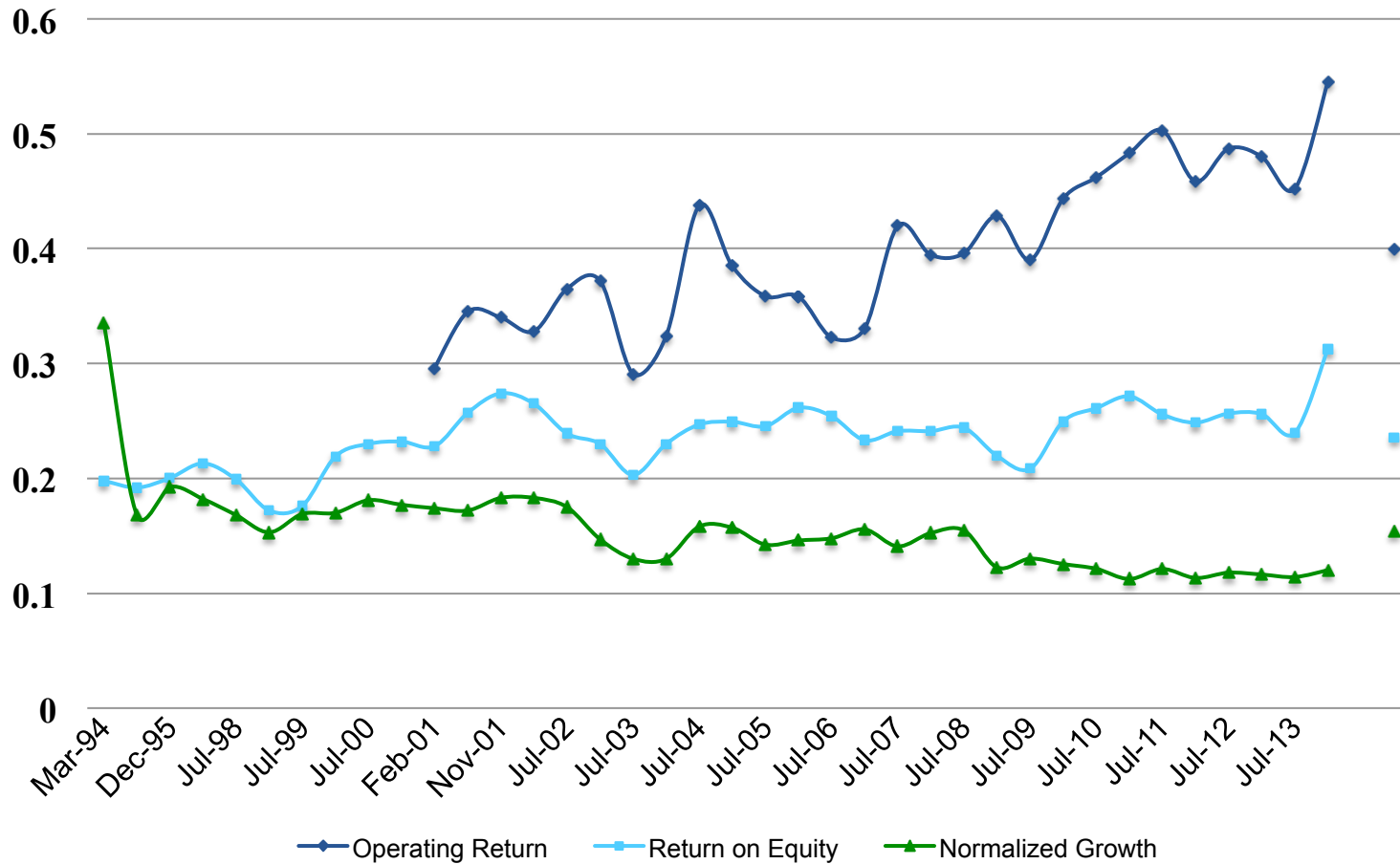
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High Profitability Combined with Moderate Growth



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Source: Overlook Investments



Sustainable EPS Growth

- **Earnings Growth Critical to Long Term Performance**
 - Last 12 Years at Overlook EPS Growth plus Dividends Contributed 82% of Performance
- **Drivers of High Quality EPS Growth**
 - Pricing Power
 - Low Cyclicalness of Business
 - Ability to Increase Market Share
 - High Profitability
 - Earnings Track Record
 - Strong Balance Sheet
- **Preface: Always External Risks that Cannot be Controlled**

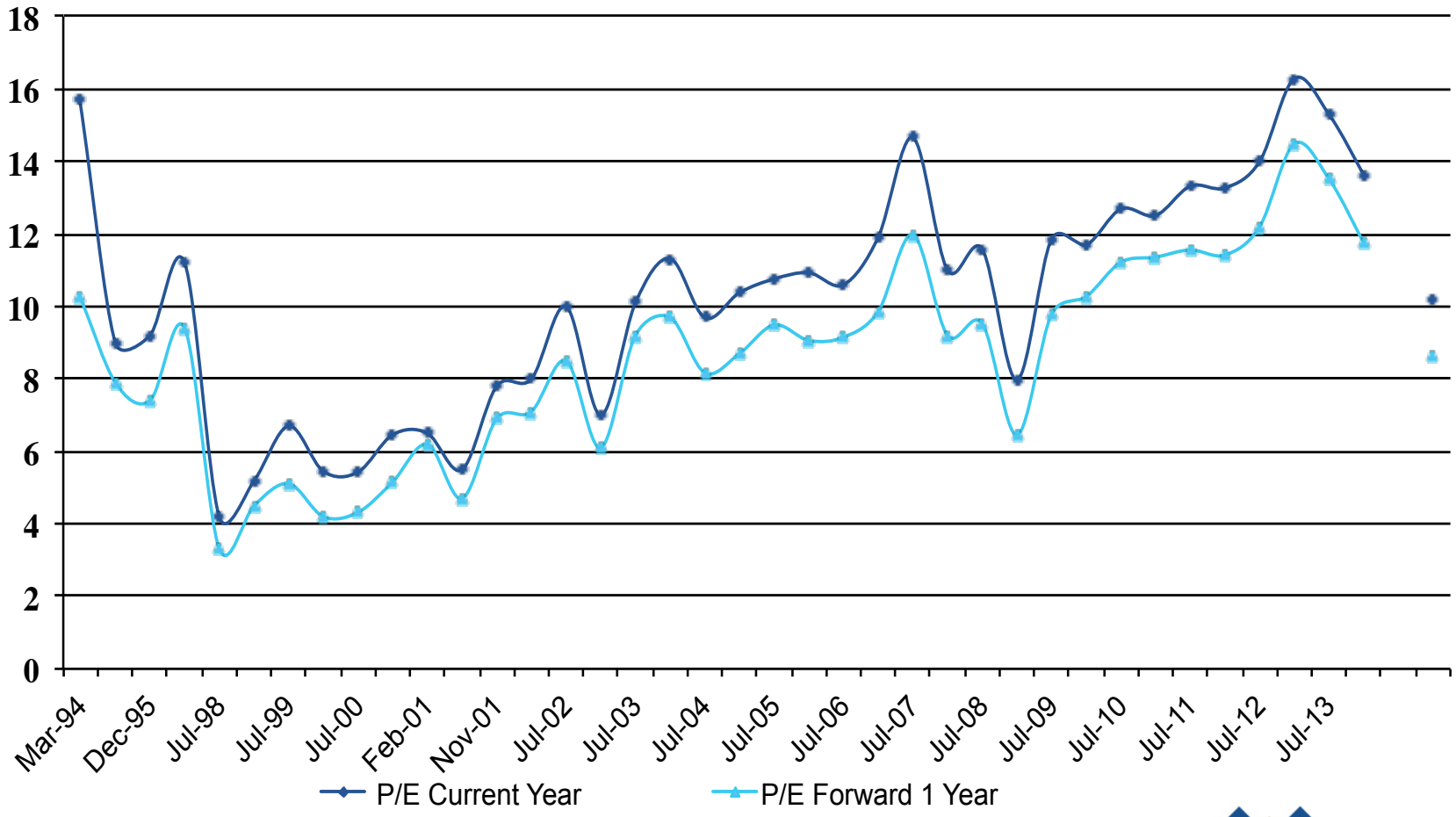


▶ Valuations

- **Can't Ignore Valuation**
- **Equations Offer Benchmark**
 - Ben Graham's
 - Price / Book Value Times P/E < 22.5
 - John Neff's
 - EPS Growth Rate, Plus Dividend Yield / P/E
 - Overlook's
 - ROE + Normalized EPS Growth Rate / 4
- **Know Long Term Valuation Trends**



Overlook's Long Term Valuation Trends

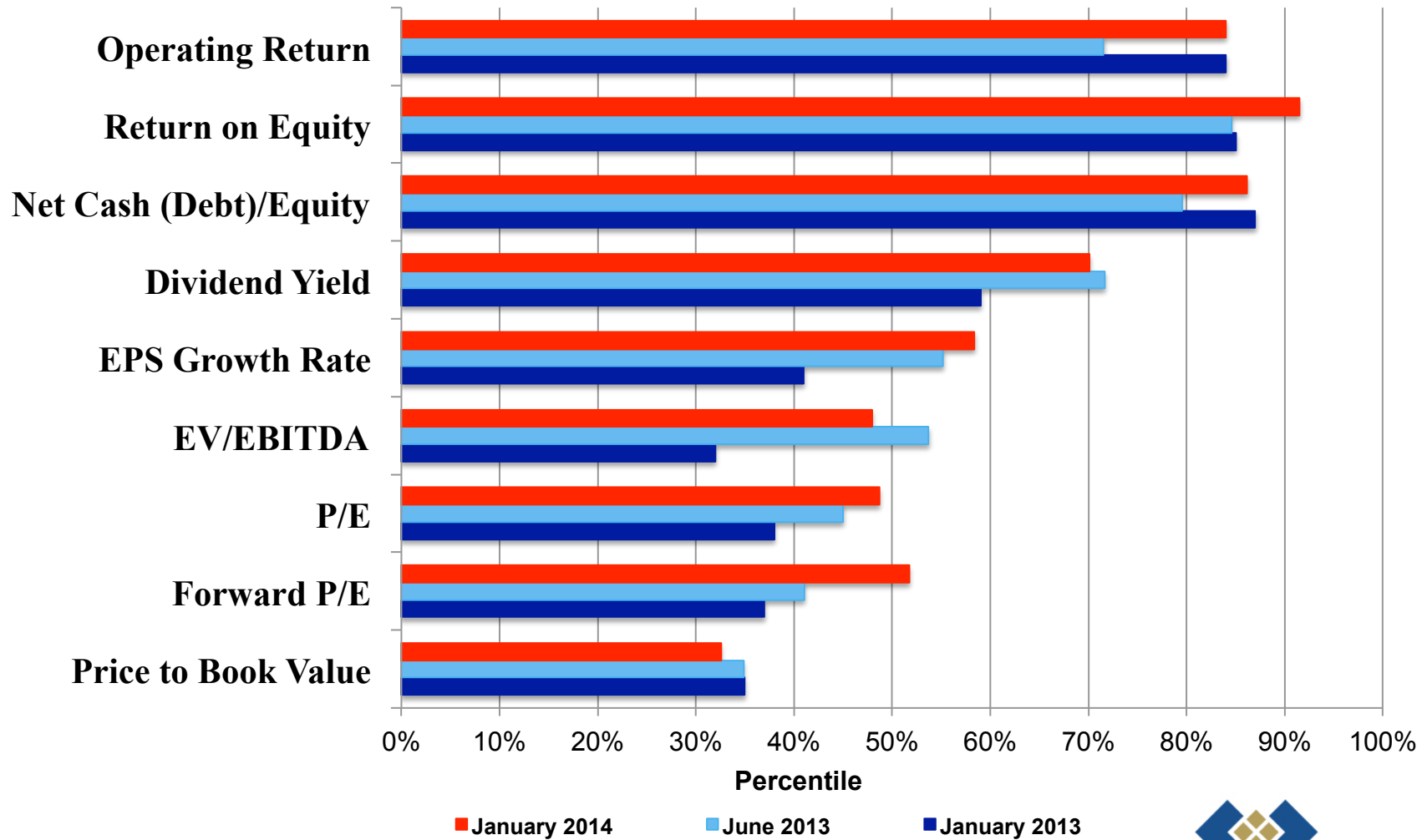


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Source: Overlook Investments



Path to Out Performance:

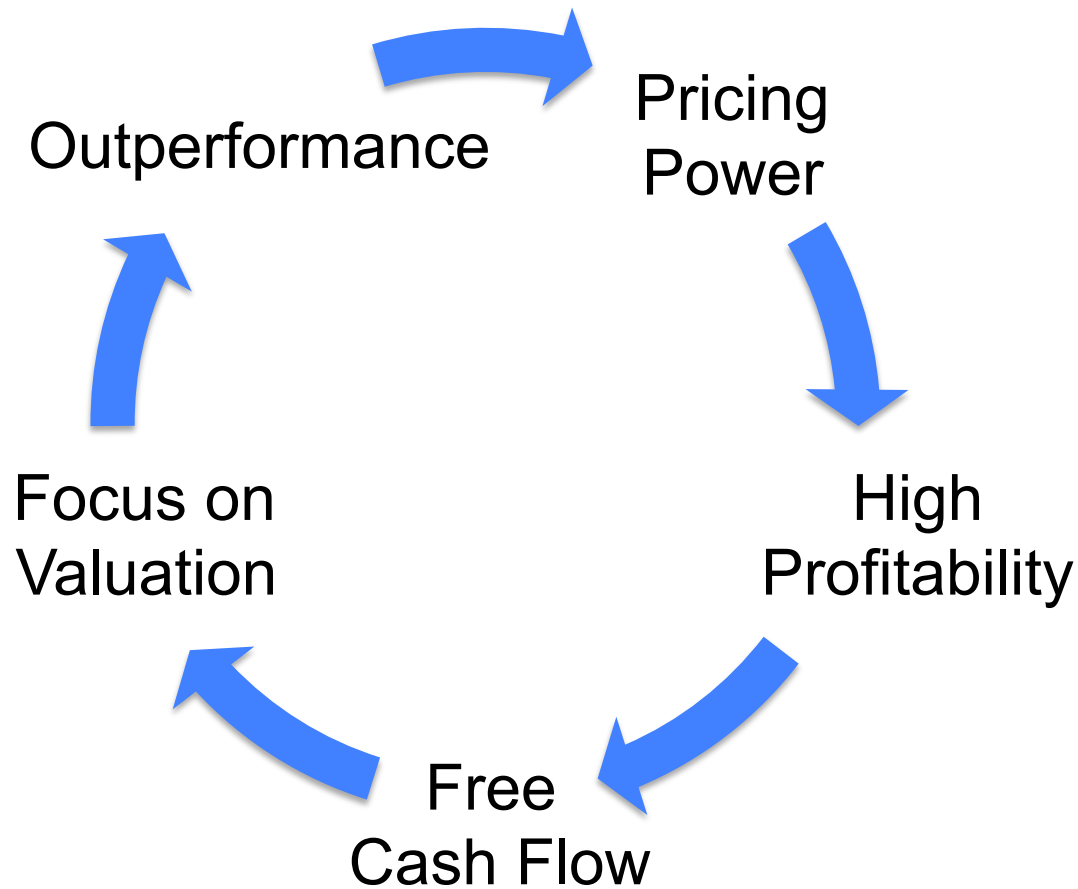


Source: Capital IQ & Overlook: Overlook's Portfolio by Percentile Compared to Asian Universe (>\$3bn)



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▶ Virtuous Cycle Provides Margin of Safety





Results of The Overlook Model

- **The Model is Overlook's Strongest Asset**

- Simple Structure, Effective Investment Philosophy, Clear Objective & Long Track Record of Success

- **History Suggests Model Delivers Value**

- Capital Weighted Returns \geq Time Weighted Returns
- 9.5 Percentage Points of Outperformance Per Year
- Profits Comprise >70% of Overlook's AUM



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