

THE SUCCESS RATIO OF SUPERHUMAN INVESTORS

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Orbis Investments

Agenda

- Part 1: What's the REAL success ratio of a world-class investor?
- Part 2: Case study—a “hairy” stock

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“World-class investors are right only 2/3^{rds} of the time”



Not to worry, I get this right at least 60% of the time!



How do we define
“being correct”?



Correctness = Input

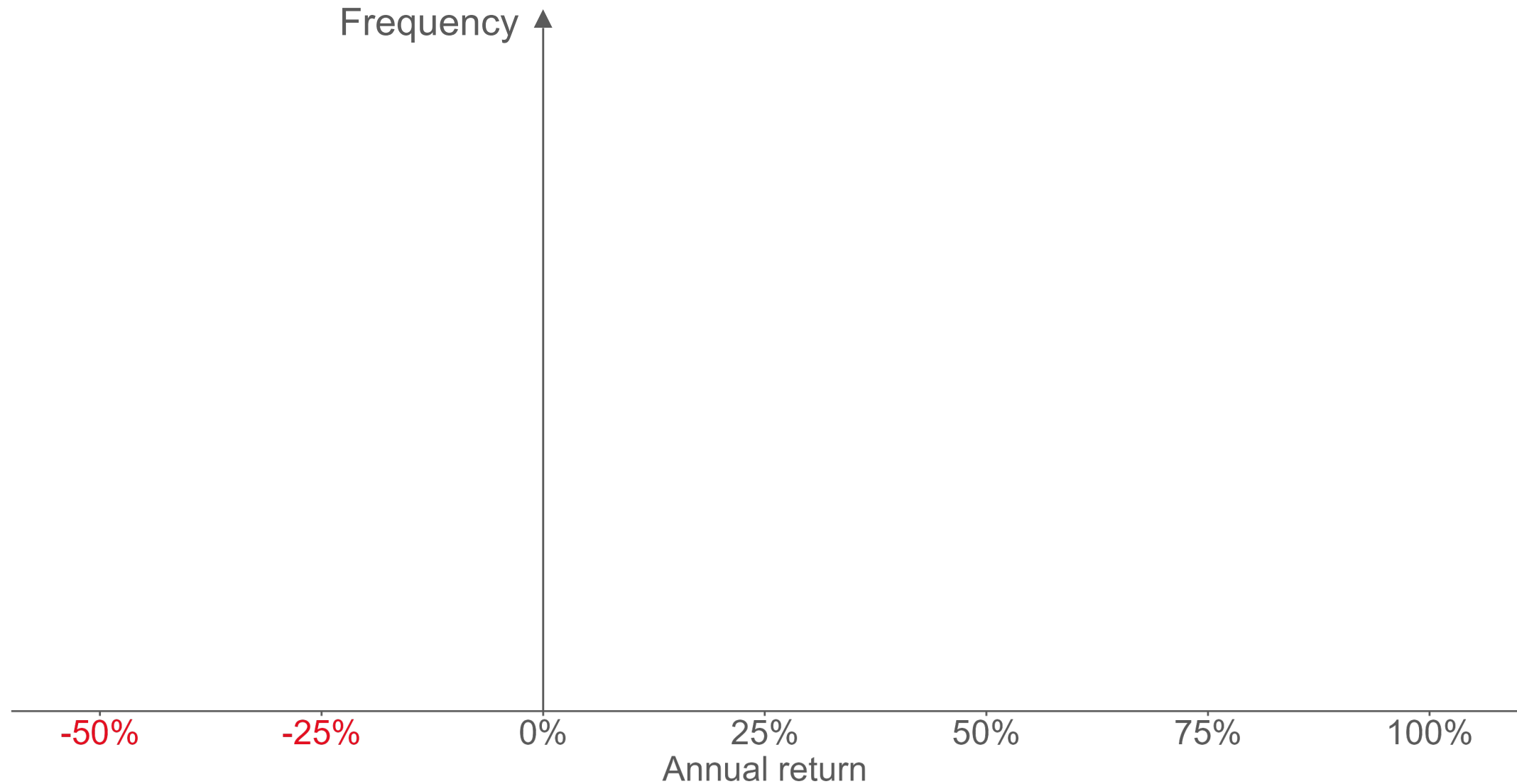


Success Ratio = Output

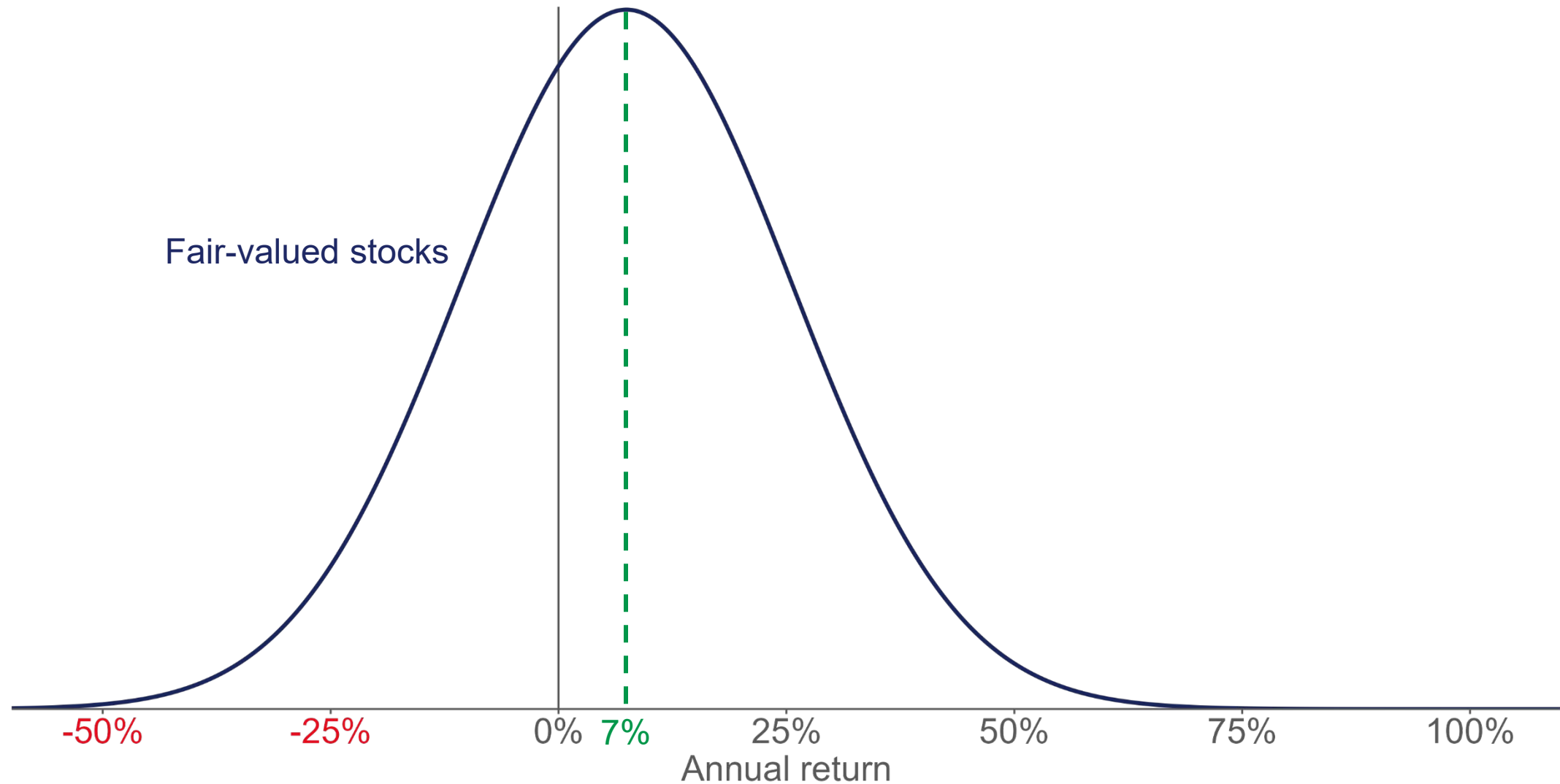
~~“World-class investors
can afford to be wrong
1/3rd of the time”~~

**World-class investors need to
make almost no mistakes to
achieve a 2/3^{rds} success ratio**

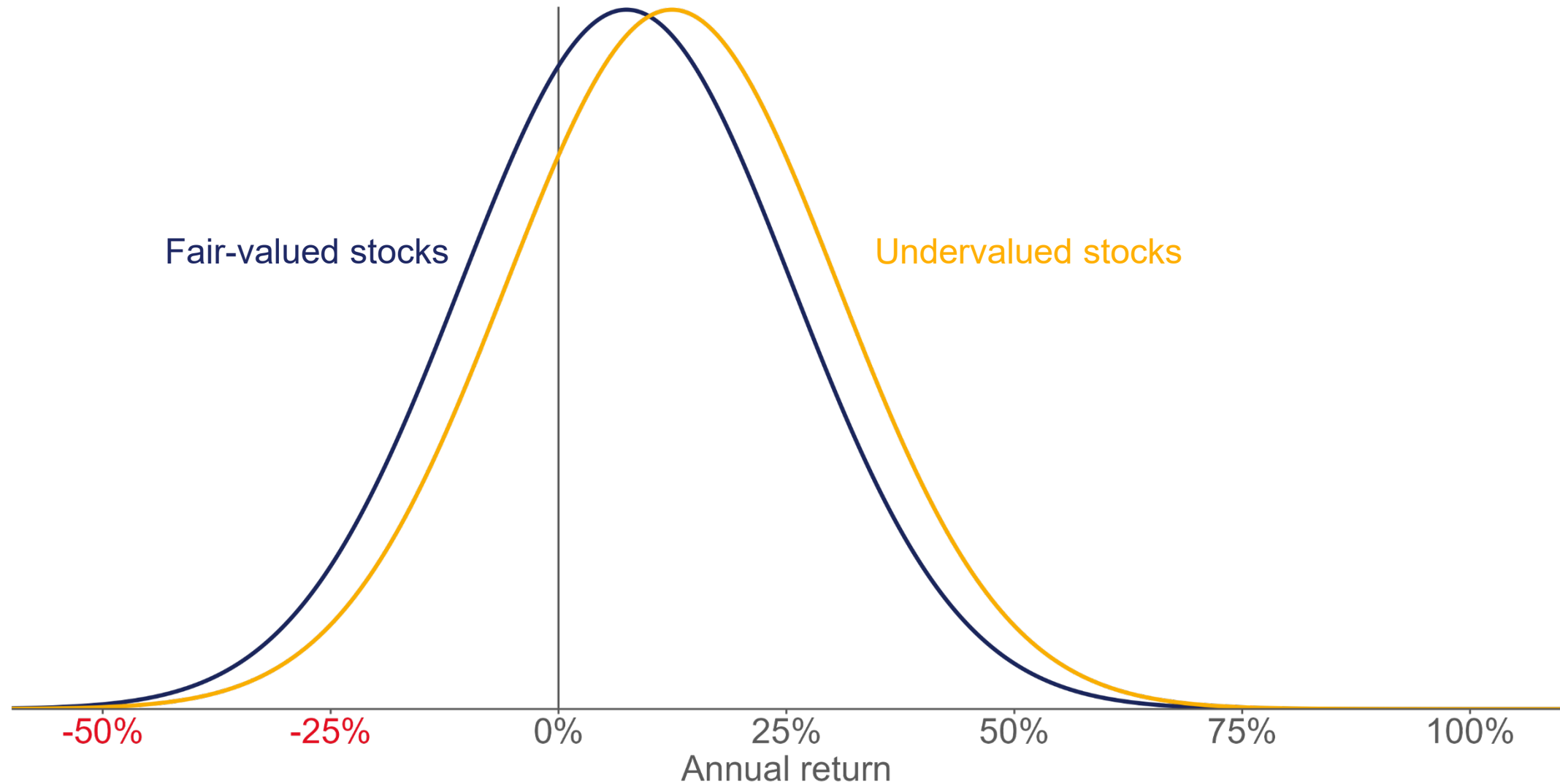
Simulation: distribution of annualised returns over a business cycle (6 years)

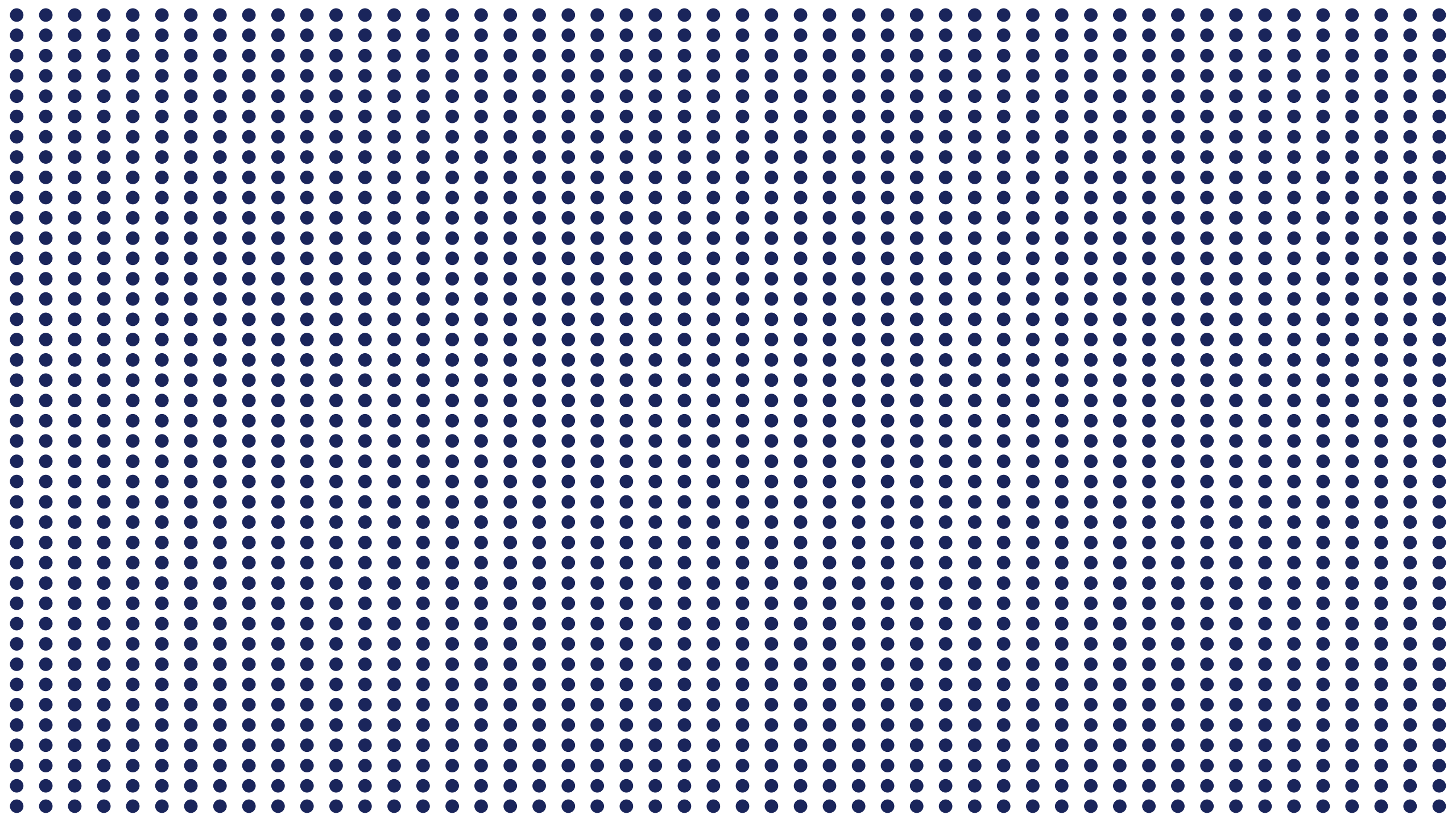


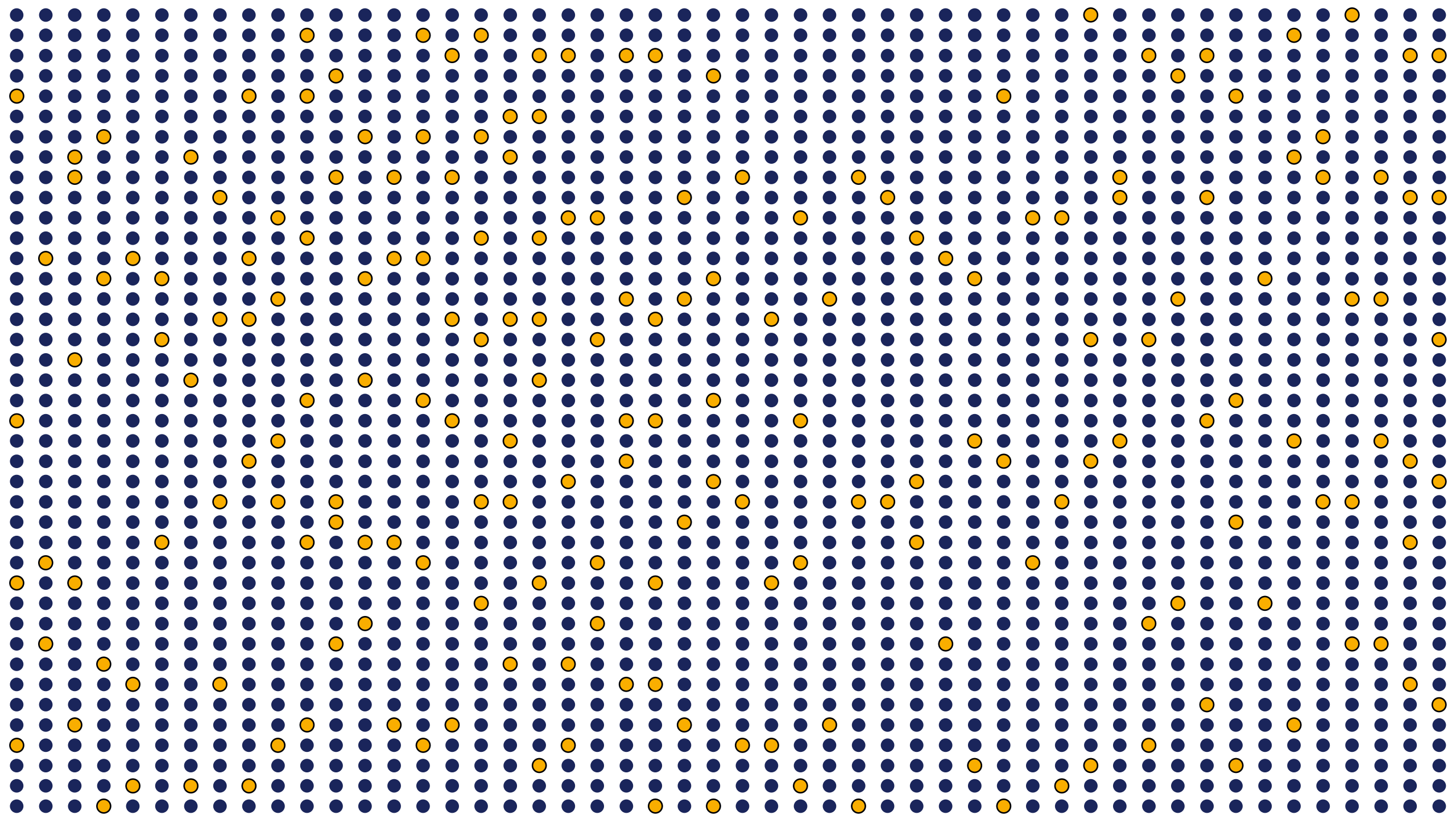
Distribution of annualised 6-year stock returns

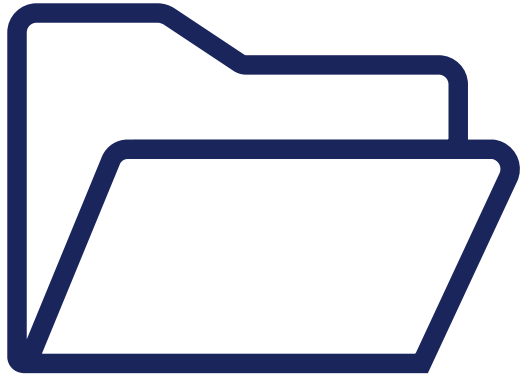


Distribution of annualised 6-year stock returns

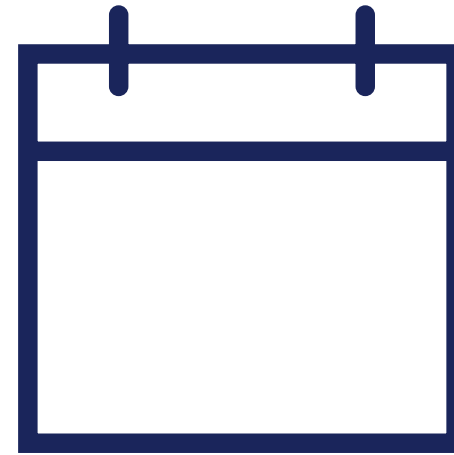








30 Stocks



6 Years



Unskilled Managers

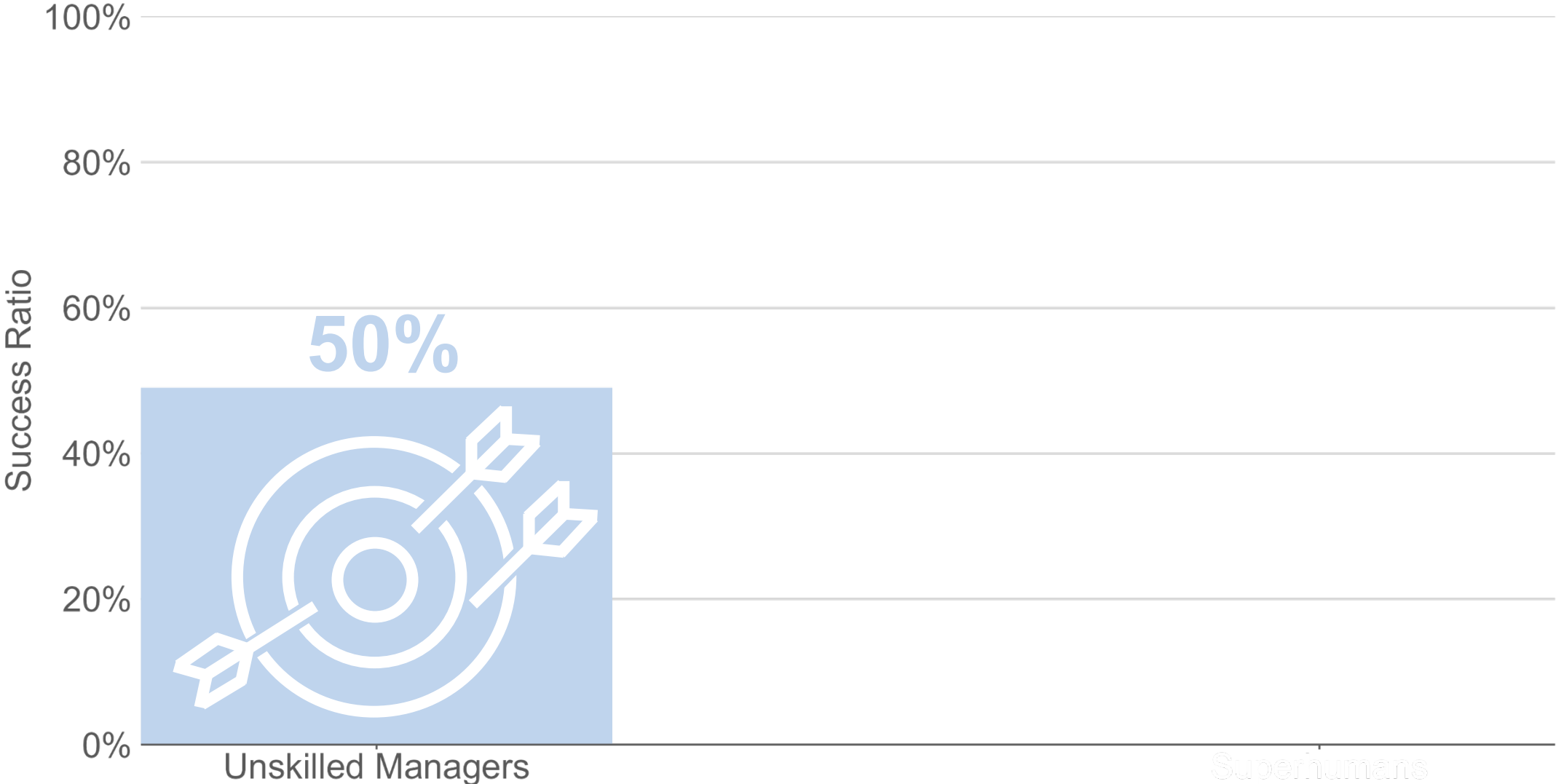
● = Random



Superhumans

● = 100%

Average success ratio for Unskilled Managers is...



Average success ratio for Superhumans is...



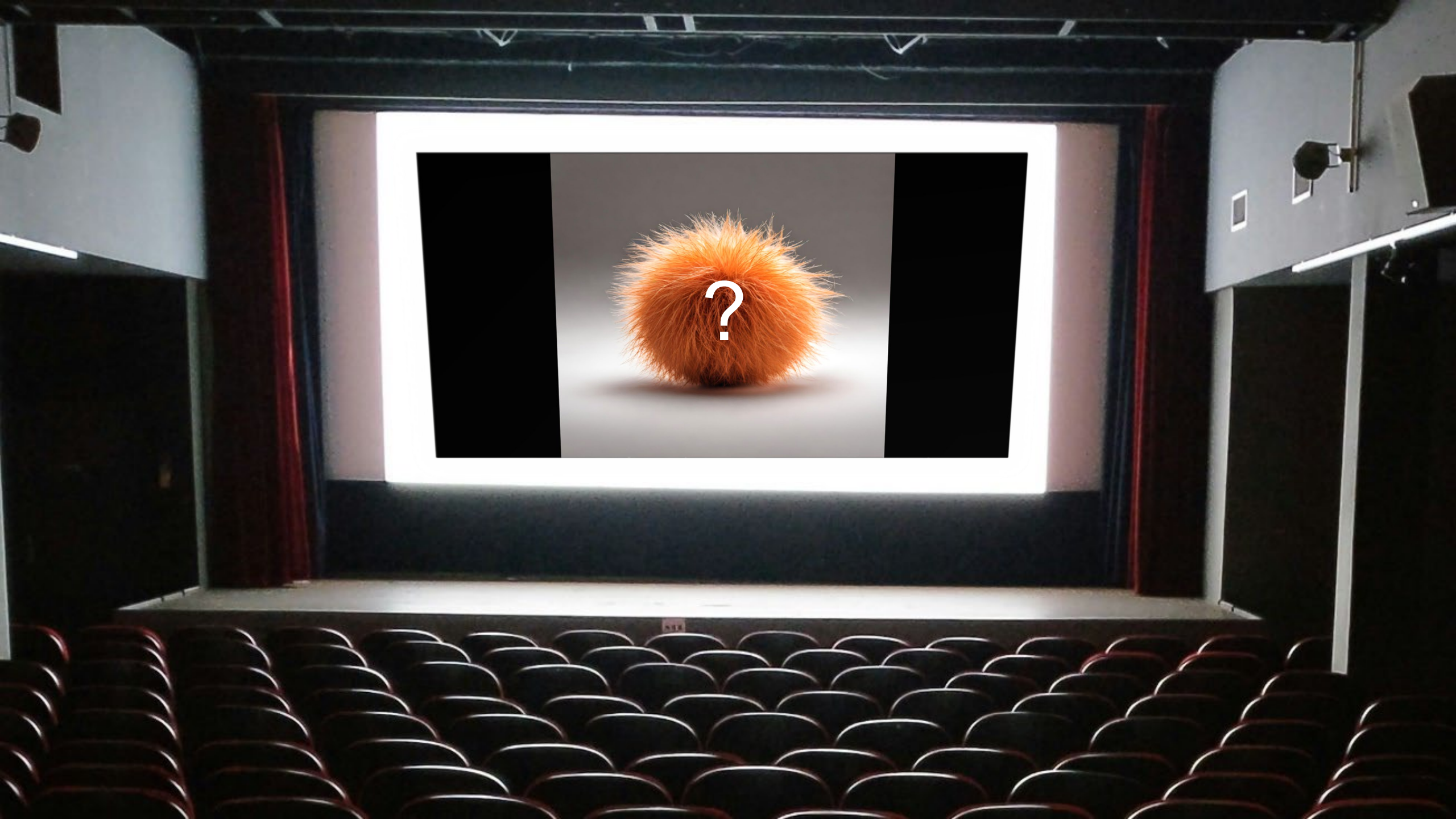
50%
success
ratio



2/3rds
success
ratio

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- Part 1: What's the REAL success ratio of a world-class investor?
- Part 2: Case study—a “hairy” stock. Is it an orange dot?

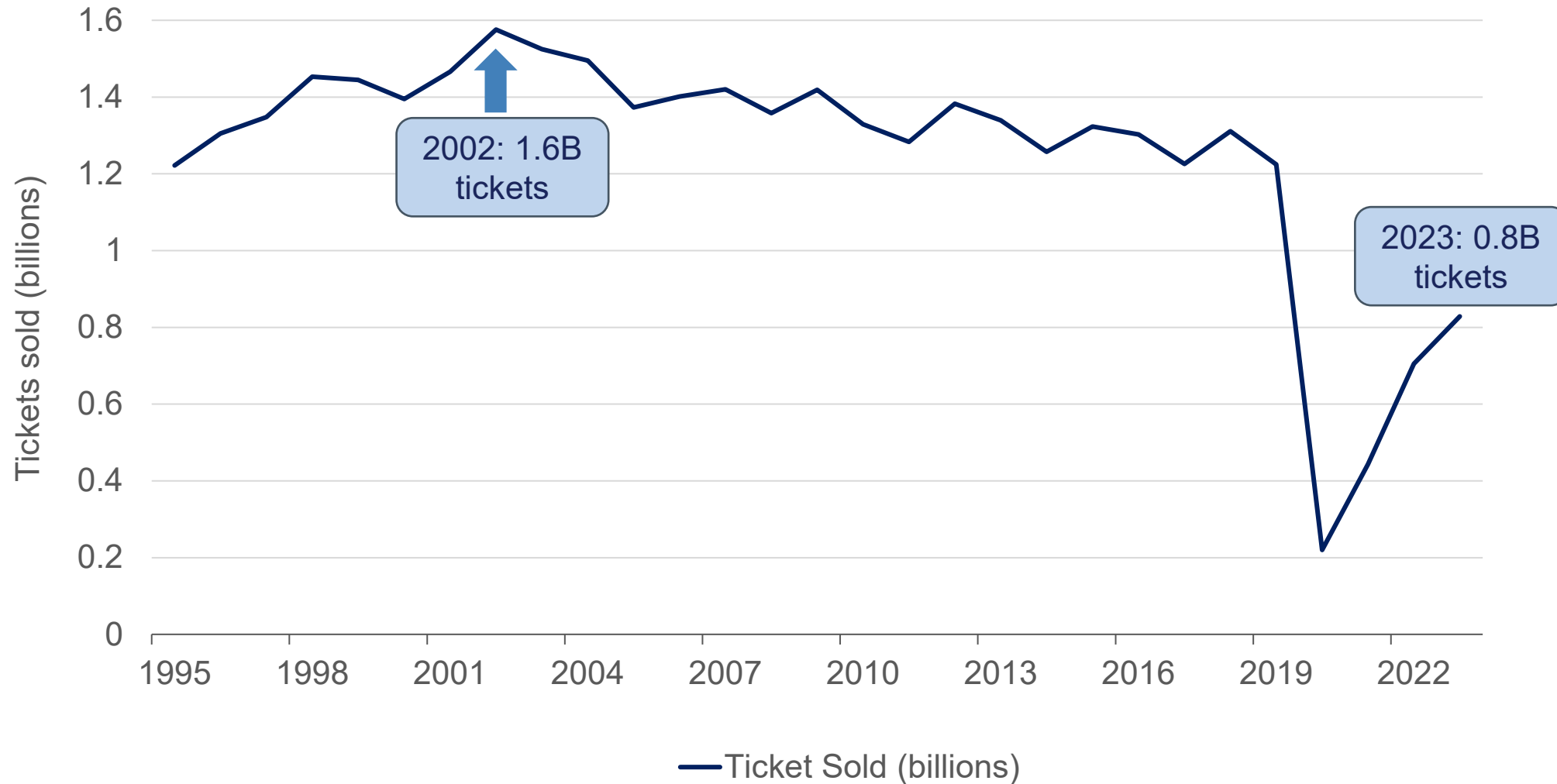




Movie theatre attendance in secular decline



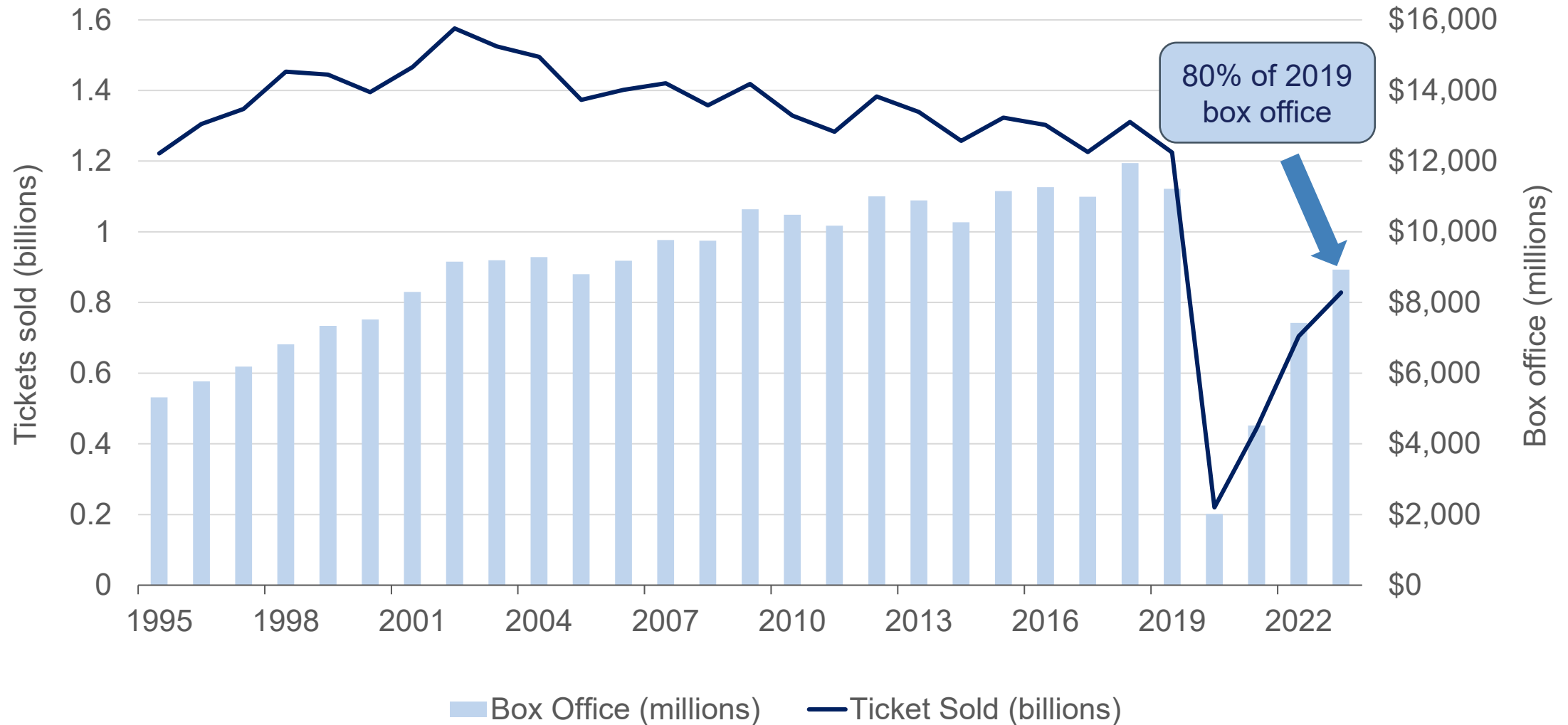
North American annual ticket sales and box office



Movie theatre attendance in secular decline



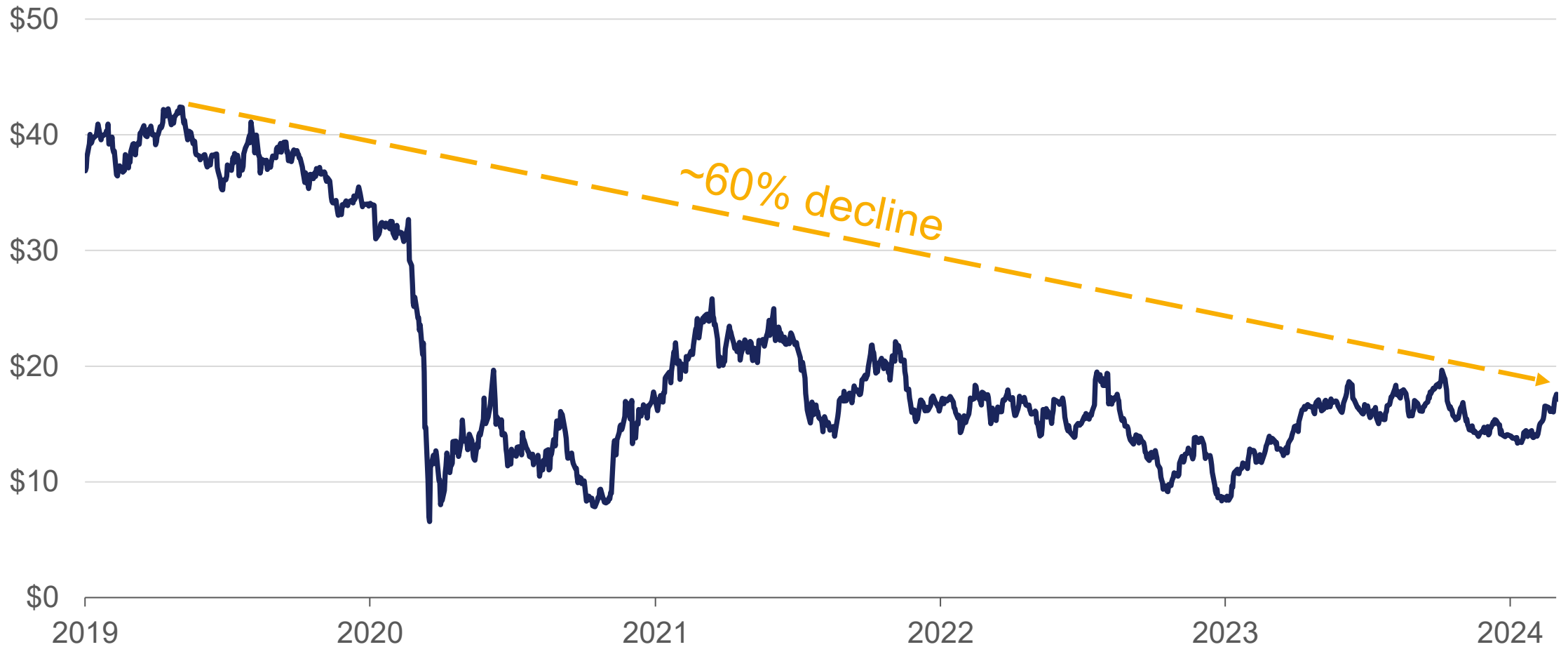
North American annual ticket sales and box office



Cinemark: extreme negative market sentiment since COVID...



Share Price of Cinemark, 2019 to 2024 (US\$)





1. Depressed box office is driven by a lack of supply, not demand

2. Theatrical releases enhance films' overall asset value

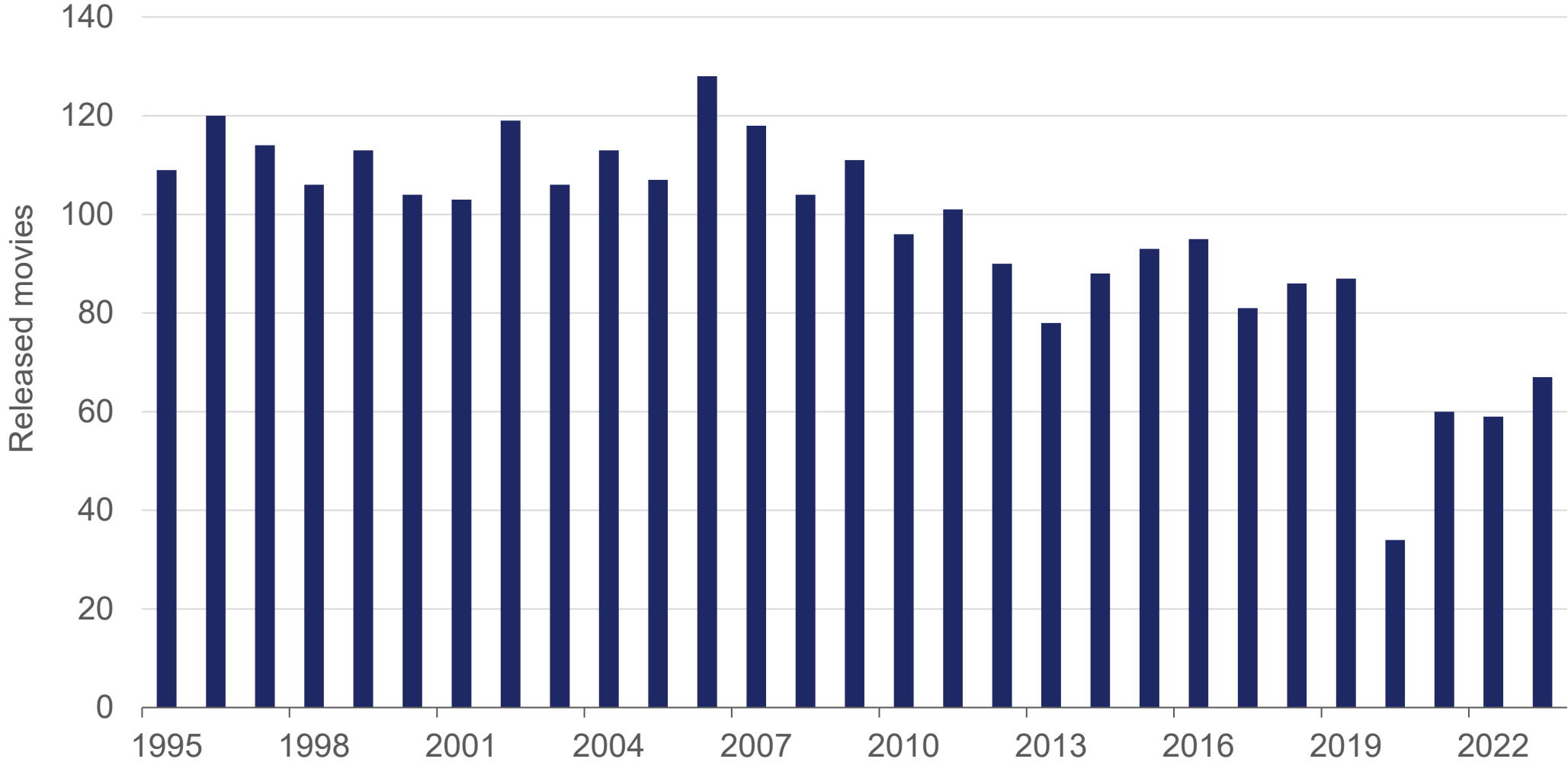
3. Money back in 5-6 years?



Rise in blockbuster concentration has reduced supply of movies



Number of releases by major studios*

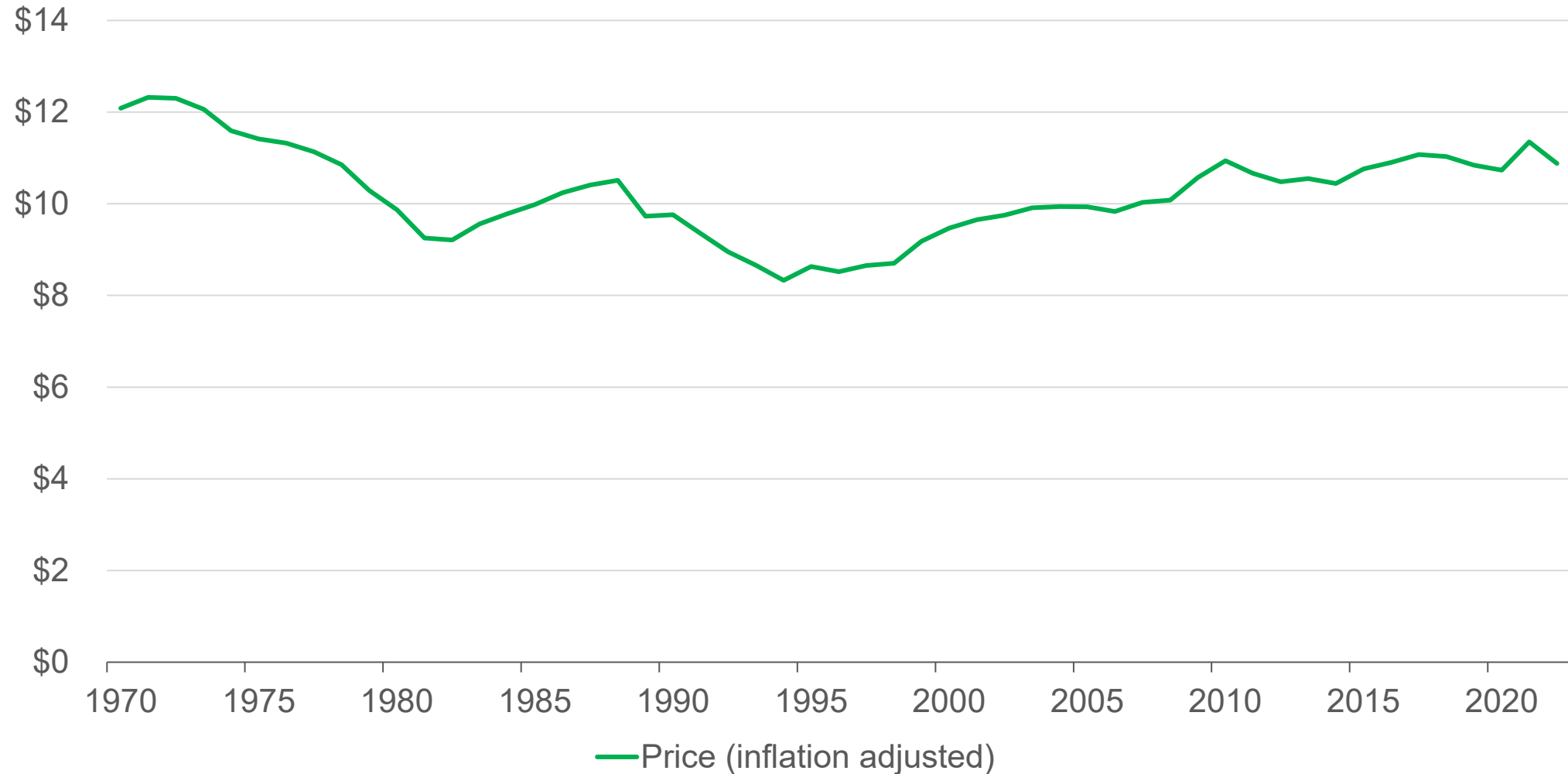


31 Dec 2023 | Source: The Numbers. *Major studios are Warner Bros, Walt Disney, 20th Century Fox, Paramount Pictures, Sony Pictures and Universal.

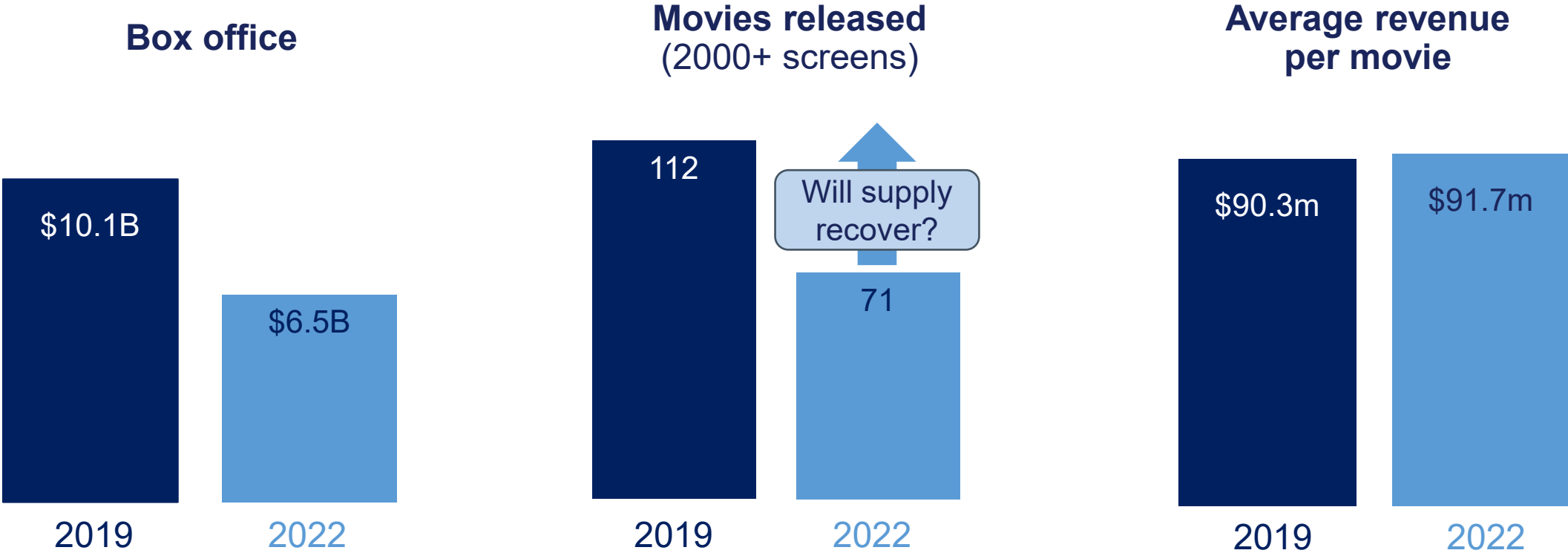
Unsustainable pricing, or pricing power?



Average ticket price over time (US\$)



Despite lower movie releases, average revenue per movie remains resilient





1. Depressed box office is driven by a lack of supply, not demand

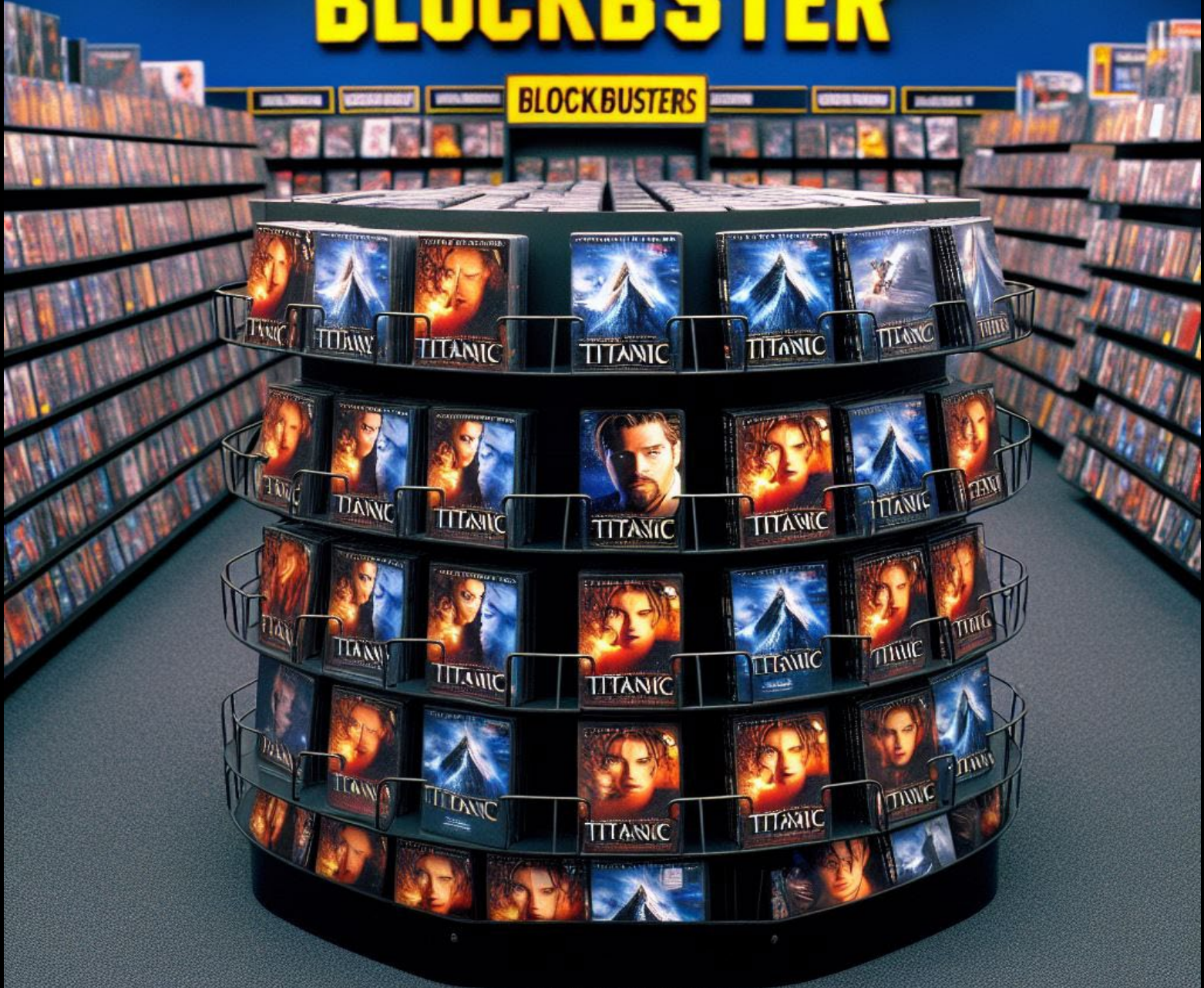
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3. Money back in 5-6 years?

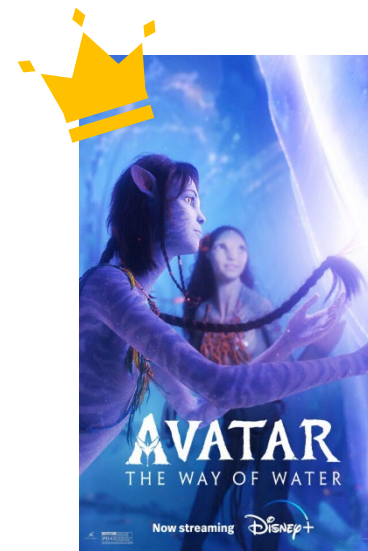


BLOCKBUSTER

BLOCKBUSTERS



2023 Top 10 Streaming Movies





Movie theater stocks pop after report says Amazon plans to spend \$1 billion on releases

Apple to Spend \$1 Billion a Year on Films to Break Into Cinemas



1. Depressed box office is driven by a lack of supply, not demand
2. Theatrical releases enhance films' overall asset value

3. Money back in 5-6 years?



Cinemark: money back in 5-6 years?



Key takeaways

1. Orange dots are HARD to find!
2. The REAL “success ratio” that you need to be a world-class investor is closer to 100%



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