



**SILVER RING  
VALUE PARTNERS**

## HOW TO LEARN VALUE INVESTING SEPTEMBER 2018

Gary Mishuris, CFA | Managing Partner, Chief Investment Officer

# BIOGRAPHY

---



## **GARY MISHURIS, CFA**

Managing Partner,  
Chief Investment Officer

### **Professional Experience:**

- Fidelity Management & Research (2001-2004): Equity Research Associate
- Evergreen Investments/Wells Capital Management (2004-2010): Vice President, Senior Equity Analyst/Portfolio Manager
- Manulife Asset Management (2011-2016): Managing Director, Portfolio Manager
- Silver Ring Value Partners (2016-present): Managing Partner, Chief Investment Officer

Prior to founding Silver Ring Value Partners in 2016, Gary successfully managed the US Focused Value strategy using a concentrated intrinsic value process at Manulife Asset Management from 2012-2016 as Lead Portfolio Manager.

### **Education:**

Massachusetts Institute of Technology  
Bachelors of Science in Economics, Computer Science (2001)



# OBJECTIVE AND STRATEGY

---

The Fund seeks to compound capital over the long-term through a concentrated portfolio of well-researched securities.

## Why Silver Ring Value Partners:

### Competence:

Time-tested intrinsic value investment philosophy and process that have generated good results in the past.

### Alignment:

Structured so that the investment manager can only build meaningful net worth if the clients do well over a number of years.

### Passion:

Motivated by the intellectual challenge of investing and the desire to make a positive impact on others.



# COMPETITIVE ADVANTAGE

---



**Long-term Time Horizon** – ability to take advantage of market inefficiencies



**Limited Asset Base** to preserve the ability to invest in the most inefficiently priced securities



**Micro-Economic Focus** – concentrate on opportunities where the key drivers of investment success are company- and industry-specific factors



**Temperament** to consistently implement a rigorous value investing process developed over fifteen years of professional experience



# INVESTMENT PHILOSOPHY

---

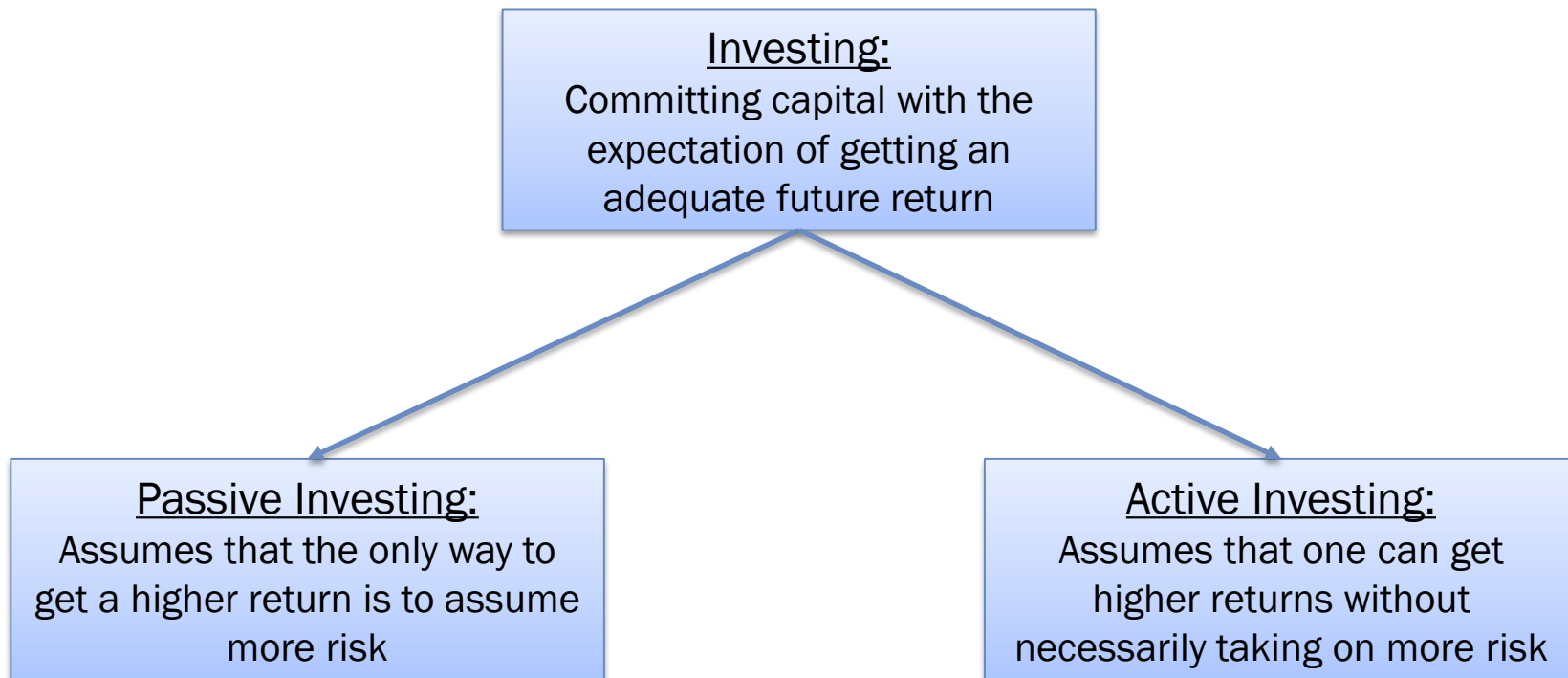
- **Intrinsic Value:** A stock is a partial ownership interest in a business with its worth determined by the underlying business's long-term economics.
- **Margin of Safety:** An investment's margin of safety is determined by the combination of the *quality* of the underlying company and the discount from a conservative appraisal of intrinsic value offered by the *price*.
- **Long-term Time Horizon:** The focus is on achieving the best possible *compounding of capital* over a period of many years rather than managing short-term volatility of returns.
- **Rational and Disciplined Execution:** The market occasionally misprices securities for behavioral reasons. These arise due to market participants reacting to developments emotionally rather than rationally and to some market participants' misaligned incentives. By remaining rational and disciplined in the implementation of my process, I can both take advantage of the market's mistakes and guard against making mistakes of my own.
- **Concentrated Portfolio:** Investment opportunities that combine a company of high quality with a price that is at a material discount to intrinsic value are infrequent. After constructing a portfolio where being wrong on any single judgment should not result in a material loss of principal for the portfolio as a whole, additional diversification is more likely to increase rather than reduce risk by forcing the inclusion of increasingly inferior investments.



# INVESTING APPROACHES

---

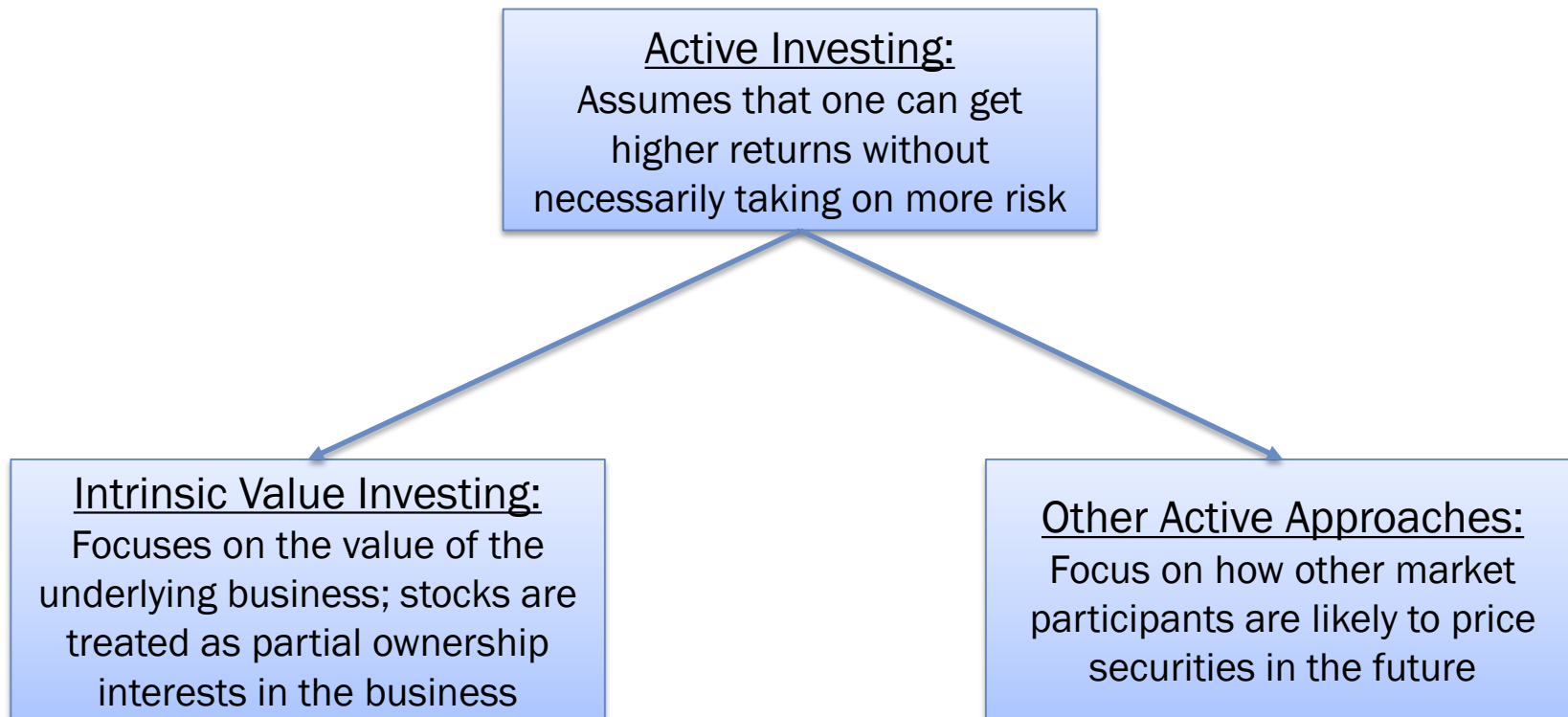
## Active vs. Passive



# INVESTING APPROACHES

---

## Intrinsic Value Investing vs. Other Active Approaches



# LEARNING HOW TO INVEST WELL

---

## Investing is Hard

- Investing is *simple*, but it is *not easy*

*“It’s not supposed to be easy. Anyone who finds it easy is stupid.”* – Charlie Munger, Vice Chairman of Berkshire Hathaway

## What Makes Investing Hard:

- **Long feedback loop** between decisions and outcomes
- **Behavioral biases** that can negatively impact our judgment
- Many people lack the **temperament** required to remain rational under pressure
- The best practitioners succeed through a combination of **art and science**





# LEARNING HOW TO INVEST WELL

---

## Long Feedback Loop

- Example of a short feedback loop: Learning how to hammer in nails. If you make a mistake, you know it right away.
- Intrinsic value investing involves valuing the underlying business
- The value of a business = Excess Assets + Net Present Value of Future Cash Flows
- Takes years to know if your value estimate was approximately right
- Would take 10+ years of returns for most investing approaches in order to have 90%+ statistical confidence that the results are due to skill vs. luck

**Conclusion:** Trial and error is NOT the best way to learn value investing



# LEARNING HOW TO INVEST WELL

---

## Behavioral Biases

Many behavioral biases affect people's decision-making:

- Overconfidence – believing that you are better than you really are at something
- Base-rate Neglect – Ignoring the historical track record in similar situations
- Anchoring – Not changing our mind from the initial conclusions despite new evidence
- Recency Bias – Believing that recent trends are more predictive of the future than they are likely to be
- Endowment Effect – Valuing something you already own more than you would otherwise

**Conclusion:** Even those trying to make rational decisions might be prone to systematic errors.



# LEARNING HOW TO INVEST WELL

---

## Temperament

*“Temperament is more important than IQ. You need reasonable intelligence, but you absolutely have to have the right temperament.” – Warren Buffett, Fortune (10/31/2013)*

*“In theory there is no difference between theory and practice. In practice there is.” – Yogi Berra*

*“Everyone has a plan until they get punched in the face.” – Mike Tyson*

**Conclusion:** Many people lack the temperament to properly implement the theory under real-life, stressful conditions



# LEARNING HOW TO INVEST WELL

---

## Investing is a Combination of Art and Science

### Investing “Science”:

- Collecting historical industry data
- Financial modeling
- Calculating the Net Present Value of future cash flows

### Investing “Art”:

- Judging the quality of the business
- Judging the competence and alignment of the management team
- Deciding which potential investments to study first

**Conclusion:** You need both theory and *deliberate practice* to be successful



# LEARNING HOW TO INVEST WELL

---

## How to Become a Good Investor

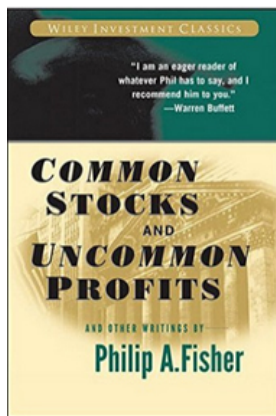
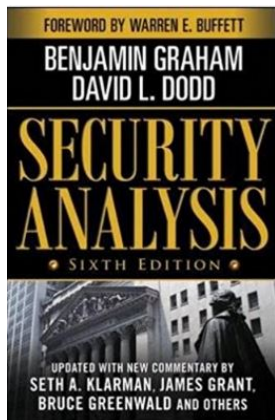
1. Start with the *right temperament* (if you don't have it, nothing else will help)
2. Study investing **theory** – financial analysis, competitive strategy, valuation, etc
3. Understand **what approaches have been successful** for others, and *why*
4. Many years of **deliberate practice with frequent feedback** on your process from a master investor
5. Read as much as possible and **study as many businesses as you can**
6. Learn **mental models** from other disciplines to become a better thinker



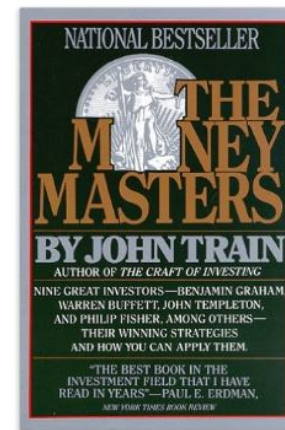
# LEARNING HOW TO INVEST WELL

## Value Investing Reading Course

- The idea is to begin to build an investment philosophy and process through guided study of great value investors
- It is important to understand the approach that led to their success, but
- Blindly copying their process is not optimal – the goal is to understand your own unique strengths and weaknesses and what these imply for what your own process should be
- Course is based on assigned readings with accompanying questions for in-person discussion – the more thought you put into the reading and the questions the more you will likely to get out of it



## Buffett Partnership LETTERS



# LEARN MORE

---

## Contact Information

Gary Mishuris, CFA  
Managing Partner, Chief Investment Officer  
Silver Ring Value Partners  
[gary@silverringvaluepartners.com](mailto:gary@silverringvaluepartners.com)  
<https://silverringvaluepartners.com>  
<https://behavioralvalueinvestor.com>



# DISCLAIMERS

---

This document does not constitute an offer to sell or a solicitation of an offer to buy securities. Any such offer will be made only by means of the Confidential Private Placement Memorandum (the “Memorandum”). This document is subject to the more complete information contained in the Memorandum.

This document and the information contained herein is confidential and is intended solely for the information of the person to whom it has been delivered. It is not to be reproduced, used, distributed or disclosed, in whole or in part, to third parties without the prior written consent of Silver Ring Value Partners. Each person accepting this document hereby agrees to return it promptly upon request. General solicitations, prospecting by mail and advertising are strictly prohibited.

An investment with Silver Ring Value Partners is speculative and involves significant risks, including loss of the entire investment. There can be no assurances that Silver Ring Value Partners’s investment objective will be able to be achieved or that its investment program will be successful. Silver Ring Value Partners’s investment program is intended for long-term investors who can accept the significant risks associated with investing in a private fund structure. Limited partnership interest in the private fund will be illiquid as there will be no secondary market for such interests and none is expected to develop. There will be restrictions on transferring limited partnership interests in the private fund. A prospective investor who has preliminary interest in Silver Ring Value Partners’s investment program should understand these risks and have the financial ability and willingness to accept them for an extended period of time before considering making an investment with Silver Ring Value Partners.

Neither Silver Ring Value Partners, Gary Mishuris nor any agent guarantees or makes any representations as to the performance of the Fund, the repayment of capital, income payments or any particular rate of capital or income return. All performance and risk targets contained herein are subject to revisions by Silver Ring Value Partners and are provided solely as a guide to current expectations. There can be no assurance that Silver Ring Value Partners’s investment strategy will achieve any targets or that there will be any return on capital. Historic performance is not necessarily indicative of future performance, which could vary substantially.

The information presented herein, including, but not limited to, Silver Ring Value Partners’s organizational structure, investment experience/views, returns or performance, investment strategies, risk management, market opportunity, representative strategies, portfolio construction, capitalizations, expectations, targets, parameters, guidelines, and positions may involve Silver Ring Value Partners’s views, estimates, assumptions, facts and information from other sources that are believed to be accurate and reliable and are as of the date this information is presented, any of which may change without notice. Silver Ring Value Partners has no obligation (express or implied) to update any or all of the information contained herein or to advise you of any changes; nor does Silver Ring Value Partners make any express or implied warranties or representations as to the completeness or accuracy or accept responsibility for errors. The information presented is for illustrative purposes only and does not constitute an exhaustive explanation of the investment process, investment strategies or risk management. No person (other than Silver Ring Value Partners and Gary Mishuris) has been authorized to make any statement concerning Silver Ring Value Partners and any such statements, if made, may not be relied upon.

The views expressed herein are the opinions and projections of SRVP as of September 3<sup>rd</sup>, 2018, and are subject to change based on market and other conditions. SRVP does not represent that any opinion or projection will be realized. The information presented herein, including, but not limited to, SRVP’s investment views, returns or performance, investment strategies, market opportunity, portfolio construction, expectations and positions may involve SRVP’s views, estimates, assumptions, facts and information from other sources that are believed to be accurate and reliable as of the date this information is presented—any of which may change without notice. SRVP has no obligation (express or implied) to update any or all of the information contained herein or to advise you of any changes; nor does SRVP make any express or implied warranties or representations as to the completeness or accuracy or accept responsibility for errors. The information presented is for illustrative purposes only and does not constitute an exhaustive explanation of the investment process, investment strategies or risk management.

The analyses and conclusions of SRVP contained in this information include certain statements, assumptions, estimates and projections that reflect various assumptions by SRVP and anticipated results that are inherently subject to significant economic, competitive, and other uncertainties and contingencies and have been included solely for illustrative purposes.

Investors should consider the Fund as a supplement to an overall investment program. Investors could lose some or all of their investment.

This document has been prepared from original sources and data believed to be reliable. However no representations are made as to the accuracy or completeness thereof. Except where otherwise indicated herein, the information provided herein is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstance existing or changes occurring after the date hereof. Certain information contained in the presentation constitutes forward looking statements which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “project,” “estimate,” “intend,” “continue,” or “believe,” or the negative thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of Silver Ring Value Partners may differ materially from those reflected or contemplated in such forward-looking statements.

