

**SmartValue Investment  
Management LLC**  
Registered Investment Adviser



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## Investment Approach

SmartValue Investment Management LLC (“SmartValue”) specializes in making “smart” investment decisions for your portfolio. Effective money management and investment success requires more than luck - it takes specialized research and analytical capabilities, knowledge of the marketplace, and an in-depth understanding of how historical patterns can guide the probabilities of future outcomes.

- ★ Information overload, volatile markets, seemingly endless investment choices, and a 24/7 business day can be time-prohibitive for the average investor to independently invest wisely. SmartValue designs and develops unique and proven strategies and makes wise financial and investment decisions for your portfolio. By adhering to time-tested investment strategies and proven methods, SmartValue delivers effective investment plans, strategies, and results.
- ★ SmartValue develops your financial and investment plans using proven financial and investment strategies, techniques, and methodologies that have stood the test of time. SmartValue employs strategies and techniques whereby the plan is periodically reviewed. Using this reiterative prototyping process, necessary adjustments can be made at critical times to maximize investment performance and minimize risk.
- ★ Will you or do you rely on your investments to support you in retirement? Is your current investment strategy meeting your retirement needs? Retirement costs are increasing rapidly as medical breakthroughs and active lifestyles enable people to live longer. SmartValue helps individuals manage their investments to ensure their assets will last them through retirement and ideally leave excess for others.
- ★ To formulate an optimal strategy, SmartValue takes into consideration longevity, cash flow requirements, how much you would like to leave to the next generation, and other factors that can affect your retirement savings. SmartValue works with you to assess your current and future living expenses to determine what investment rate of return you will likely require to maintain your desired standard of living for you and your family. SmartValue then builds and manages a portfolio to accommodate your cash flow needs while striving to protect or grow your assets for future generations.
- ★ SmartValue creates solutions to help our clients manage and build wealth over the long-term. The process starts by discussing your financial goals and determining what value you wish to target for your assets at a particular future time. SmartValue then selects a strategy defined by an investment benchmark to efficiently maximize the probability of achieving that objective over the respective time horizon.
- ★ While keeping in mind the long-term strategy that seeks to fulfill your value objective, SmartValue builds and then dynamically manages a portfolio which adjusts risk and return characteristics depending on market conditions and your objectives. SmartValue strives to efficiently and effectively grow your assets over the long term, build wealth based on your personal objectives, while adding value through proactive asset management.

## Investment Philosophy

There is a fundamental difference between basic value and market price. Values can be analyzed and tested by statistical and mathematical measurements. While emotional factors and surprise news and other developments often temporarily upset the relationship between price and value, eventually the two become correlated.

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- ★ SmartValue are strong advocates of basing investment decisions on thorough calculations and studies of value rather than wasting time guessing and speculating whether prices or the stock market will be higher or lower next week or next month or next year.
- ★ Bear markets have always been temporary. Share prices and good investments turn upward from one to twelve months before the bottom of the business cycle.
- ★ Share prices fluctuate much more widely than values. Therefore, index and growth funds will never produce the best total return performance over time. Too many investors focus on “outlook” and “trends.” Yet, more profit is made by focusing on value.
- ★ If you search worldwide, you will find more value and better opportunities than by studying only one nation. Also, you gain the safety of diversification.
- ★ Buy relative value (i.e., book values, cash flows, and earnings growth) at a reasonable price.
- ★ Over-diversification is the greatest enemy of portfolio performance. Most portfolios have too many securities. As a result, the impact of a good idea is negligible. Moreover, the greater the number of securities in the portfolio the more difficult it is for the investment manager to stay on top of developments affecting these securities.
- ★ The risk of paying too high a price for good-quality securities—while a real one—is not the chief hazard confronting the average investor. Observation and experience over many years has taught us that the chief losses to investors come from the purchase of low-quality securities (poor value) at times of favorable business conditions. The investors view the current good earnings as equivalent to “earning power” and assume that prosperity is synonymous with safety.
- ★ Selective asset allocation and diversification is the most important secret of successful investing. It's the only way to avoid having all your eggs in the wrong basket at the wrong time. No one has a crystal ball, but professional portfolio management increases your chances of success.
- ★ Don't follow the crowd. If you buy the same securities as other people, you will have the same results as other people. It is impossible to produce a superior performance unless you do something different from the majority. Value Investing is the better choice.
- ★ If you know about it, everyone knows about it. Too many people make the mistake of buying something they know well - a chain of stores, or a product that's doing very well. Remember the principle of doing something different from other investors - if you know about it, the chances are that everyone else knows about it too, and that means the share price will be high. Don't buy shares when prices are at historical highs, no matter how good the company's performance appears to be - don't pay too much. Look for shares that everyone else is ignoring, that aren't the rage today, and buy those you think have a reasonable chance of coming back. Buy value, not price.
- ★ Rely on professional money managers. This is almost unavoidable these days if you want to do a good job with investments. Years ago there were not many companies, stocks, and other factors to study.
- ★ Mutual funds must be purchased selectively from the thousands available. Mutual funds have two great virtues: they provide that vital diversification, and the investment decisions are made by experts. However, not all mutual funds or experts are equal.
- ★ A good track record is a lot harder to achieve than most people think. The skill factor in selection is terribly underestimated, and is most important for your portfolio. The value of a security is not what it did, or what it's doing now, but what it's going to do one, three, and five years in the future.
- ★ SmartValue does not make hasty, emotional decisions about buying and selling securities. SmartValue weighs the pros and cons objectively.
- ★ SmartValue does not concern itself as much with the market in general as with the outlook and value of individual investments.
- ★ SmartValue does not make decisions on stock market “tips” or speculation. SmartValue uses good judgment and reliable research and other information.

- ★ There is no reason to always be fully invested in the securities markets. After the securities markets have had a long and sizable advance, SmartValue is wise enough to take a few profits.
- ★ Always remember that the “public” is generally wrong on investment matters. The masses are not accurately informed about investments and the markets. They have not learned a disciplined investment approach or disciplined themselves correctly to make the right choices in the right industries at the right prices. They are moved mainly by their emotions, and history has proved them to be wrong consistently.
- ★ SmartValue does not follow stock market “fads” or “the herd.” When you buy securities at the height of popularity you almost always pay prices that have little relationship to value.
- ★ SmartValue focuses its energy and time on where a security is going rather than on where it has already been. The important thing is what lies ahead, not what has already transpired, and previous security prices and trends have no bearing on the future.
- ★ SmartValue periodically takes the time with each client to review his/her investment portfolio. SmartValue does an analysis of your financial portfolio on a regular basis and encourages you to take advantage of this service.
- ★ SmartValue thinks that investment success will not be produced by arcane formulas, computer programs or signals flashed by the price behavior of securities and markets. Rather an investor or investment manager will succeed by coupling good business judgment with an ability to insulate his/her thoughts and behavior from the emotions that swirl about the investment industry and marketplace.
- ★ SmartValue uses a value-based investment approach to portfolio management as if SmartValue were buying into a business. SmartValue looks at the economic prospects of the business, the people in charge of running it, and the price SmartValue must pay.