



Investment Philosophy

Investment Philosophy (1)

Investment Philosophy

Consistent market outperformance can be achieved through **understanding the macro situation, identify driving themes** and the **selection of “high quality stocks”** that are trading at **“undemanding valuation levels”**.

With globalization, sector positioning is now more important than geographic allocation.

We are running fairly concentrated portfolios.

Active management - Unafraid to take non consensus views (investment managers don't get paid for “comfort”).

We are not benchmark-constrained (no “myopic loss aversion” behaviour).

Investment Philosophy (2)

How do we define a **“high quality stock”** ?

- Companies with clearly-defined strategy and long-term orientation.
- Stable business model with competitive advantage (strong brands, innovation leadership, patents, dominant positions, captive clients).
- Stable and strong management team.
- Activity in expansion, regular organic growth.
- Strong balance sheet.
- Free cash flow generation, decent operating margins, appropriate ROA and ROE.

Investment Philosophy (3)

What is a “***reasonable valuation***” ?

- We do not have a dogmatic approach but we clearly do not want to overpay for “success stories” or “fads”.
- Put in perspective with prospects and growth drivers, we consider metrics such as P/E, P/Cash Flow, EV/EBITDA and P/BV.
- Stocks included in portfolios should not trade at significant premium versus their own history, peers and overall market.
- We like to emphasize consistent dividend yield plays.

Investment Philosophy (4)

Portfolio Construction - Equities

Diversified ... but not dispersed : why are we running **fairly concentrated portfolios** ?

Focus on quality over quantity : concentrated holdings allows us the luxury of “going deep” on individual stock research and fully understand the companies we are invested in.

Warren Buffet : “Portfolio concentration may well decrease risk if it raises, as it should, both the intensity with which an investor thinks about a business and the comfort-level he must feel with its economic characteristics”.

Portfolio Construction - Fixed Income

No compromise on **credit quality** and **liquidity**.

Combination of government, supranationals / agencies and corporate bonds.

Yield curve analysis and modified duration positioning.

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