



# Value investing y activismo inversor

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**JULIO UTRERA**

CFA, ANALISTA EN SOUTHEASTERN AM

# Southeastern Overview



We are long-term, concentrated, engaged, value investors.

Since  
**1975**

Partnership is core to all that we do – within our firm, with our investors and with company management teams

**100%**  
Employee owned

**3 generations**  
Consistent culture and leadership

**18 Years**  
Average tenure of like-minded client base

**5+ years**  
Expected investment horizon

**\$6.9 billion**

Total assets under management at 9/30/2022

Strategy	Total Assets
Global	\$ 2,368 million
US Large	1,611 million
US Small	1,267 million
Asia Pacific	823 million
Non-US	796 million
Concentrated Europe	53 million
Greenwood Pine*	15 million

**\$1.1 billion**

Southeastern employees and related capital

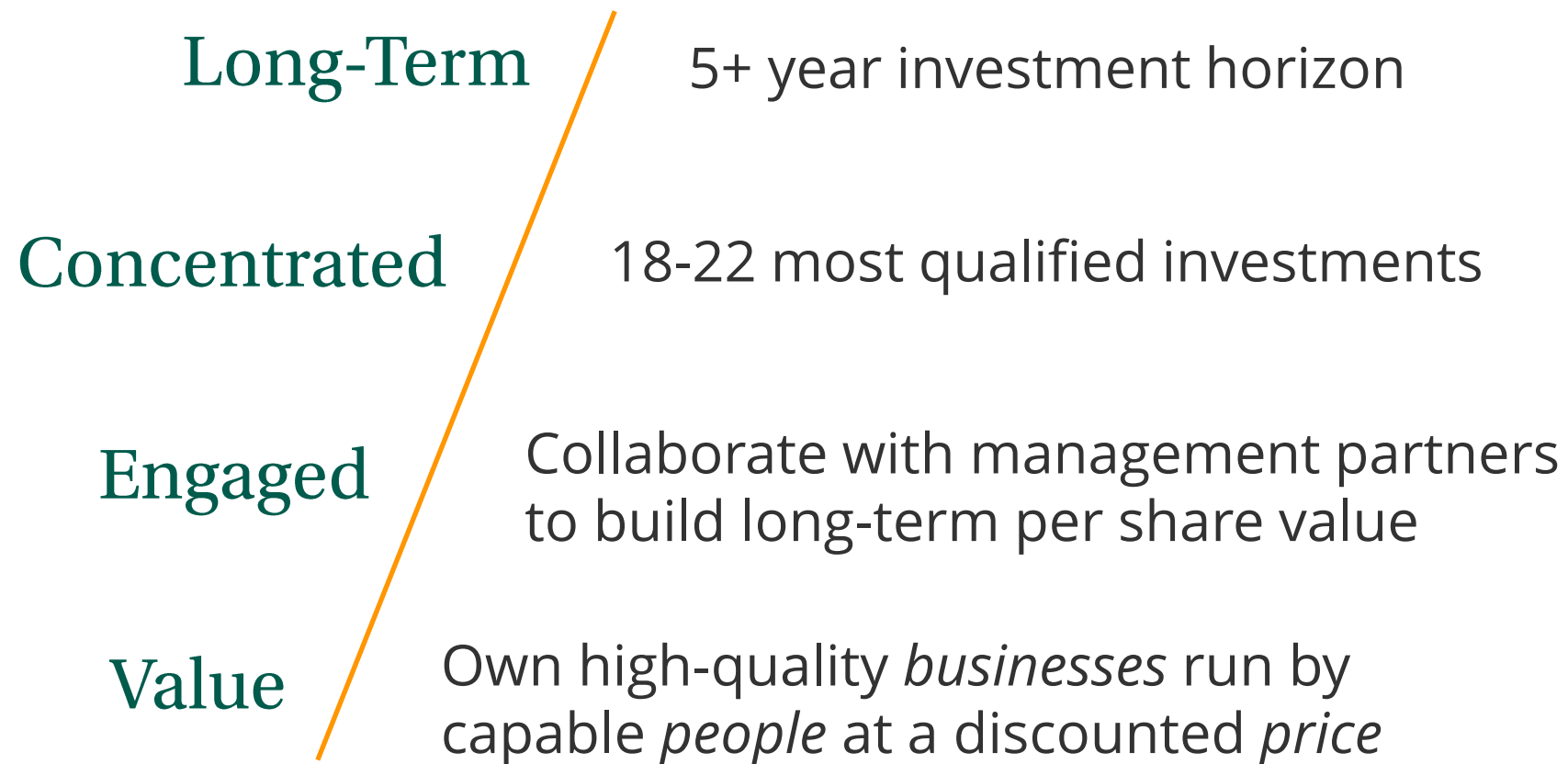
\*Joint venture between Southeastern and Brandon Arrindell.



# Our Investment Approach



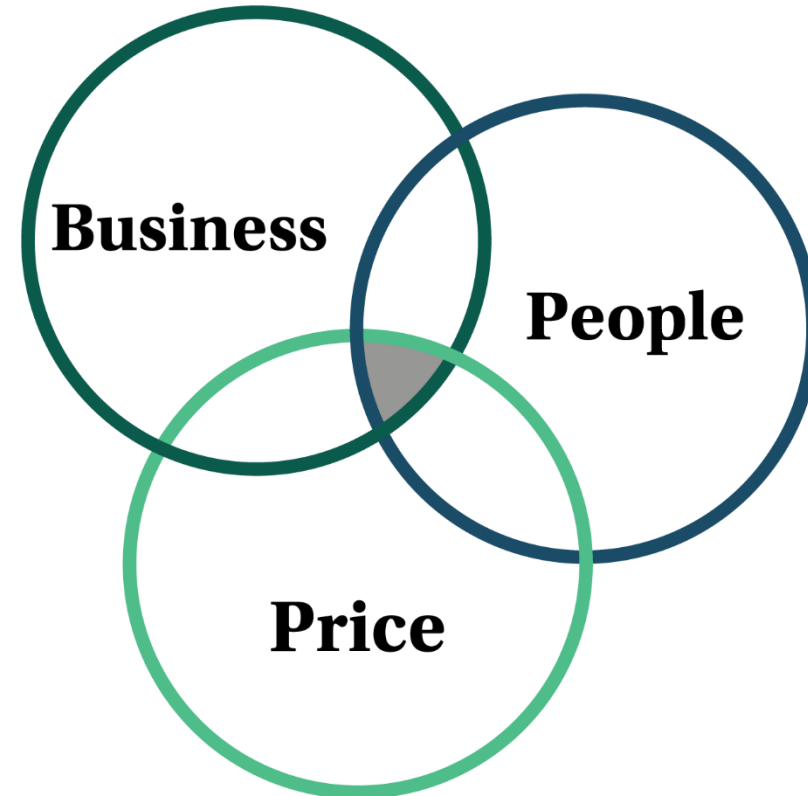
The same fundamental disciplines have guided our approach for over forty years.



# Our Approach to Value: Look for Hidden Quality



The discounted *Price* provides opportunity, but the *Business* and *People* drive our long-term outcome.



## Business

High quality company with sustainable competitive advantages, strong balance sheet and expected Free Cash Flow growth

## People

Managements and boards who act like owners, and are growing value per share through intelligent capital allocation

## Price

P/V is 60s% or below with future value growth potential

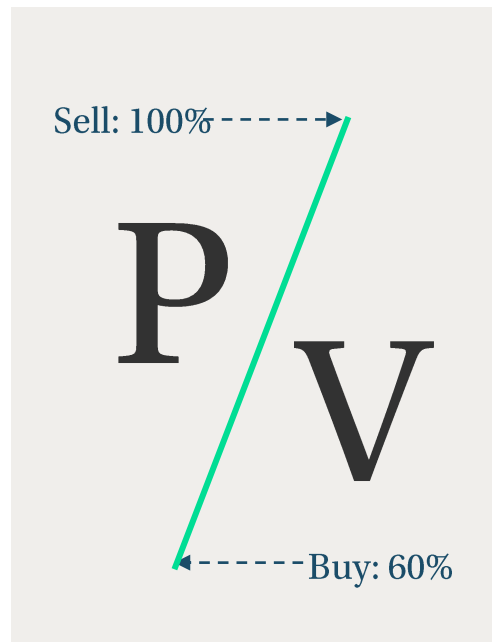
Every business must meet our quantitative *and* qualitative criteria



# Our Approach to Value: Margin of Safety Discipline

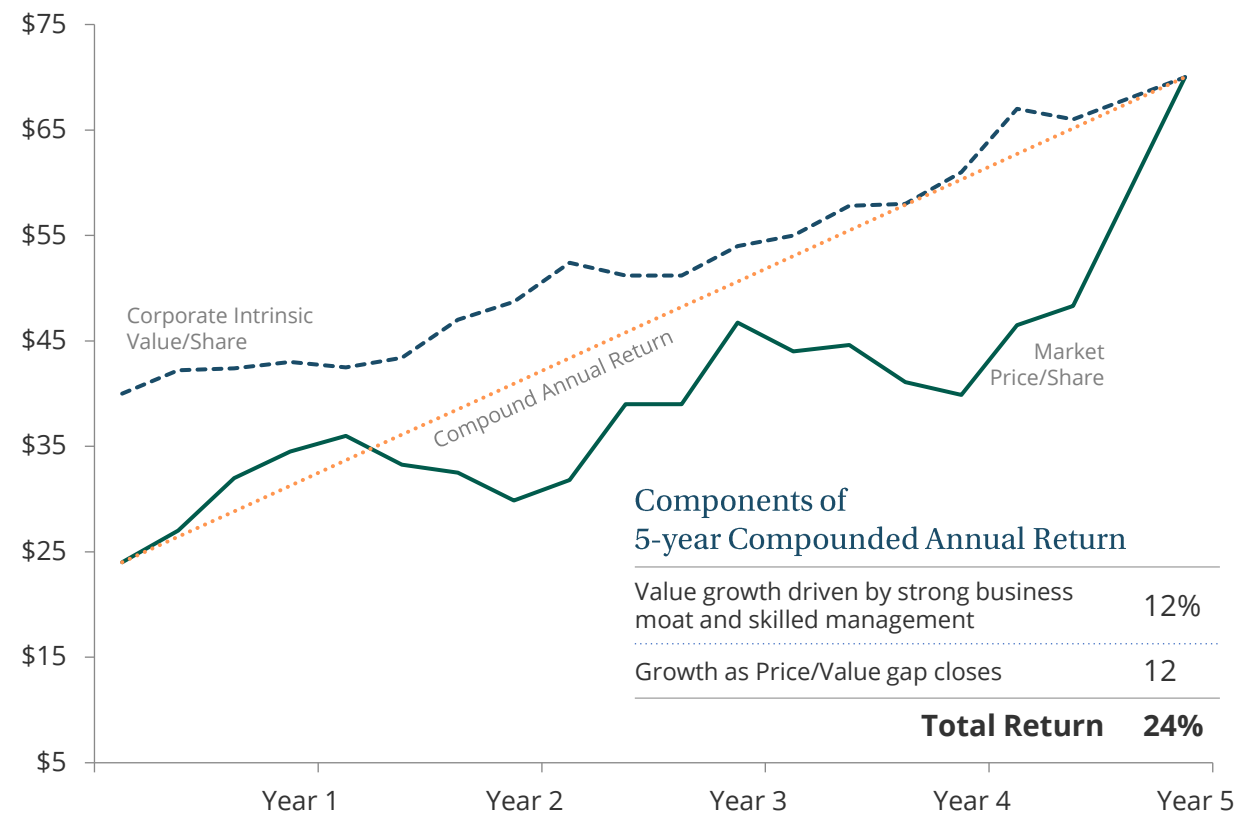


We demand a wide margin of safety to minimize risk of permanent capital loss and maximize return potential.



P/V = Price to Value is the ratio of the current stock *price* vs. our appraisal *value*

**Margin of Safety Example:** Purchase business at \$24/share with an appraisal value of \$40/share (60% P/V)



This illustration does not reflect performance of any particular security. Actual investment performance and returns are not guaranteed. "Margin of Safety" is a reference to the difference between a stock's market price and Southeastern's calculated appraisal value. It is not a guarantee of investment performance or returns. The P/V ratio represents a single data point and should not be construed as something more. P/V does not guarantee future results, and we caution investors not to give this calculation undue weight.

# Our Approach to Engaged Ownership



We constructively engage with our partners to help drive successful outcomes, using our global network, size and reputation.

## *Always Thinking And Acting Like Owners*

- Owner/partner mentality
- Discuss capital allocation
- Consider best approach to grow value per share

## *Often Using Direct Engagement*

- Specific strategic suggestions
- Recommend board members
- May require 13D Filing in US

## *Rarely Resorting to Activism*

- Publicly push for change
- Management not acting for shareholders



Ever since 1934,  
we have argued in  
our writings for a more  
*intelligent and energetic  
attitude* by stockholders  
toward their managements.



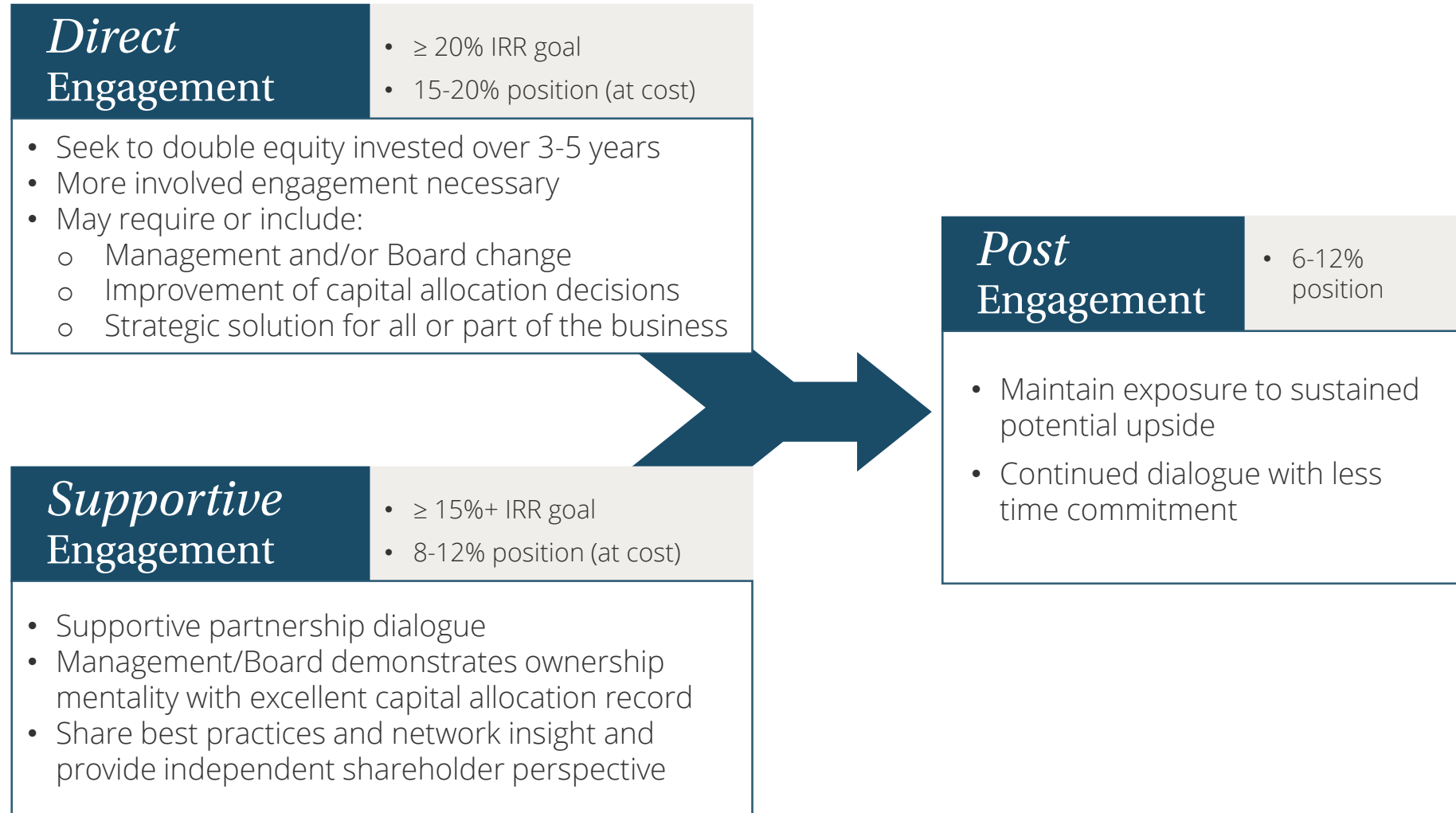
**Benjamin Graham**  
*The Intelligent Investor*



# Our Approach to Engaged Ownership: Evaluating Engagement Opportunities

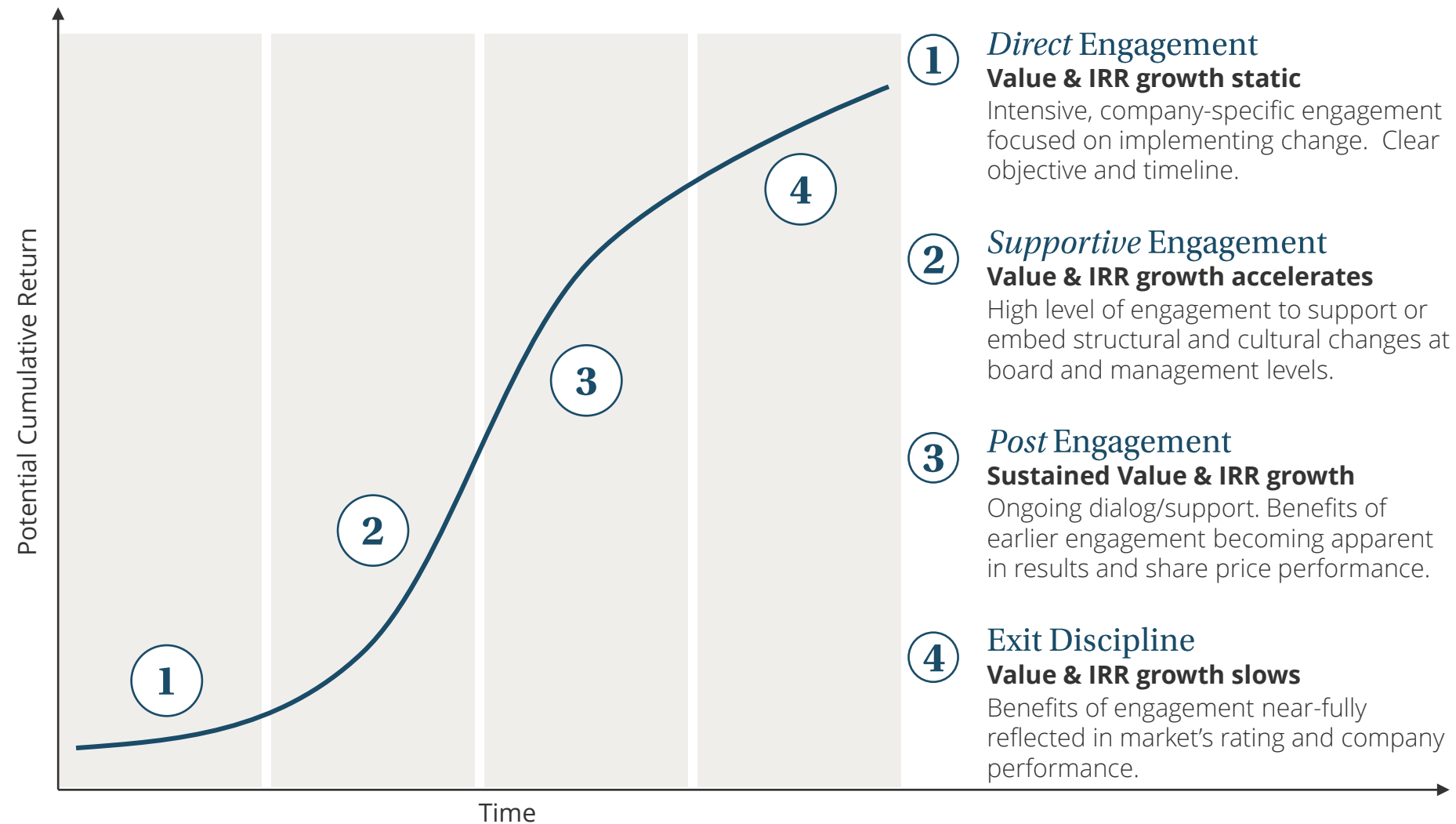


Active engagement with our partners will generally take one of two paths: direct engagement or supportive engagement.



# Our Approach to Engaged Ownership: Stages of Engagement

Value growth and IRR potential can continue to accelerate after the intensive engagement phase has finished, and we plan to maintain exposure to fully capture the potential upside and avoid leaving money on the table.



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# Our Approach to Concentration: Portfolio Construction

We build the portfolio based on bottom-up opportunities and our conviction on annualized return potential, with a strict top-down overlay to ensure appropriate risk management metrics are in place.

## Portfolio Construction

- High-quality businesses with appropriate margin of safety
- 8-12 Holdings, top 3 typically >50% AUM
- Typical maximum position size 20% at cost (price appreciation allowed)
- Target maximum of 15% cash when securities do not qualify
- Generally hedge to USD

## Continuous Monitoring

- Regularly monitor and update intrinsic value and IRR expectations
- 18-month review of value growth, return potential, people behavior, any changes to original thesis
- Weigh holding against new opportunities and other existing positions

## Active Management

- Active position management to maximize margin of safety and upside
- Employ currency hedges when advantageous
- Do not add to changing or impaired investment case

## Potential Signals to Sell a Position:

- Unexpected change in key people
- Poor capital allocation decisions
- Structural competitive-environment change
- Engagement unsuccessful and return potential insufficient
- IRR potential no longer competitive vs. other opportunities

# Our Approach to Concentration: Benchmark agnostic

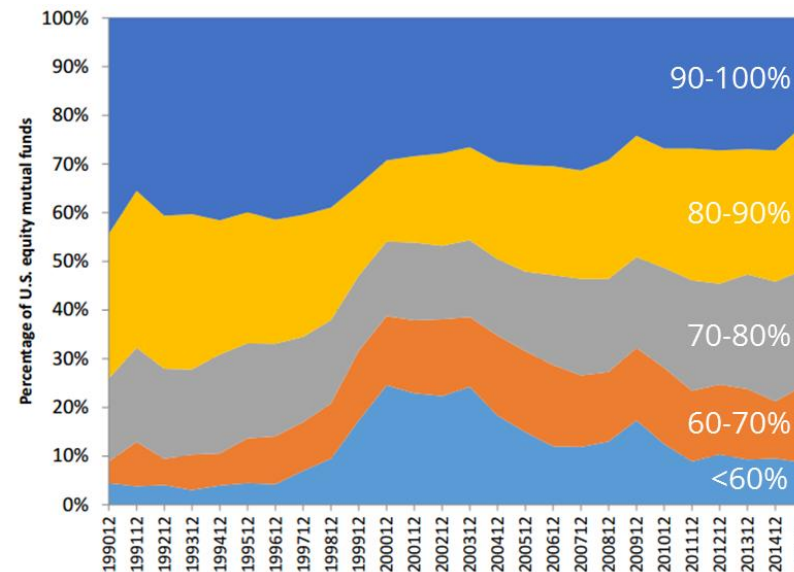


Southeastern's consistently high Active Share, averaging 98%\* over 10 years, indicates our portfolios are dramatically different than the index.

## Profile of Closet Indexer

- Active Share below 60%-80% range
- Large number of positions
- More likely to underperform the benchmark after fees

## Percentage of Mutual Funds by Active Share



The figure plots the percentage of U.S.-equity retail mutual funds in the sample by Active Share group, over the period 1990-2015. The sample includes U.S. retail mutual funds with at least \$10 million under management.

Cremers, Martijn and Petajisto, Antti, How Active is Your Fund Manager? A New Measure That Predicts Performance (March 31, 2009).; Cremers, Martijn, "Active Share and the Three Pillars of Active Management: Skill, Conviction and Opportunity" (December 28, 2016). Financial Analysts Journal.

\*The average annual Active Share of Sample Global Account calculated by Factset

Active Share is the percentage of fund holdings that is different from the benchmark holdings. Investors are cautioned not to use Active Share as their sole measure of investment selection. Past performance does not guarantee future results and high Active Share does not guarantee a specific return or a return in excess of any benchmark.

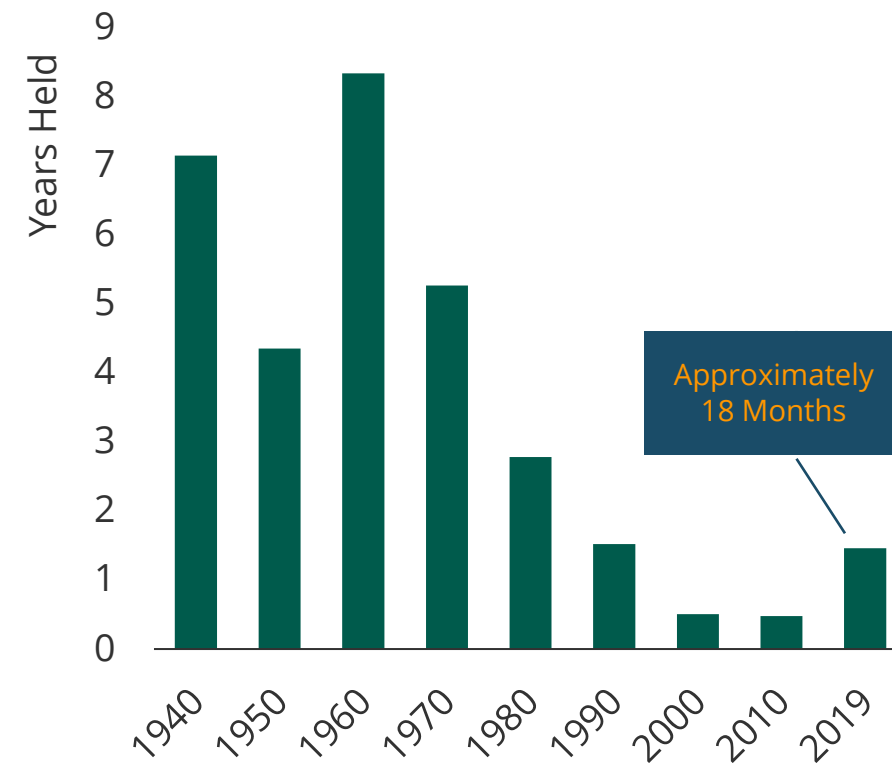
# Our Approach to Holding Period: Long Term Owners

Investors have become less patient as their time horizons have become meaningfully shorter.

“  
In the short run, the market is a voting machine but in the long run, it is a weighing machine.

Benjamin Graham

Investors Average Holding Period for Stocks by Year

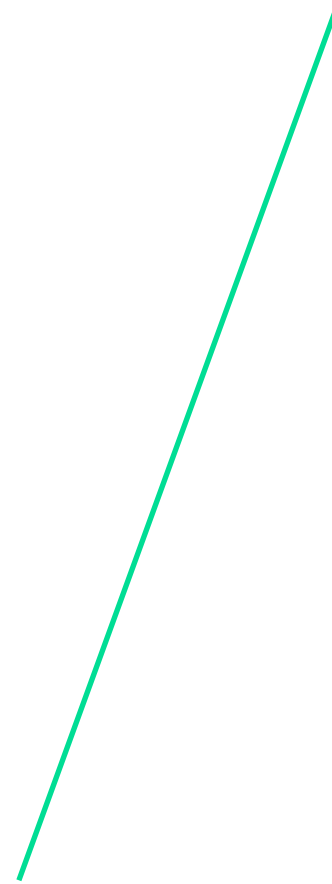


Source: NYSE, World Bank, Southeastern Asset Management

Prior to 1990, the turnover ratio was calculated using NYSE data; 1990 to 2019 is based on the latest available World Bank turnover data that combines the domestic turnover ratios for the NYSE, NASDAQ, and BATS Exchanges

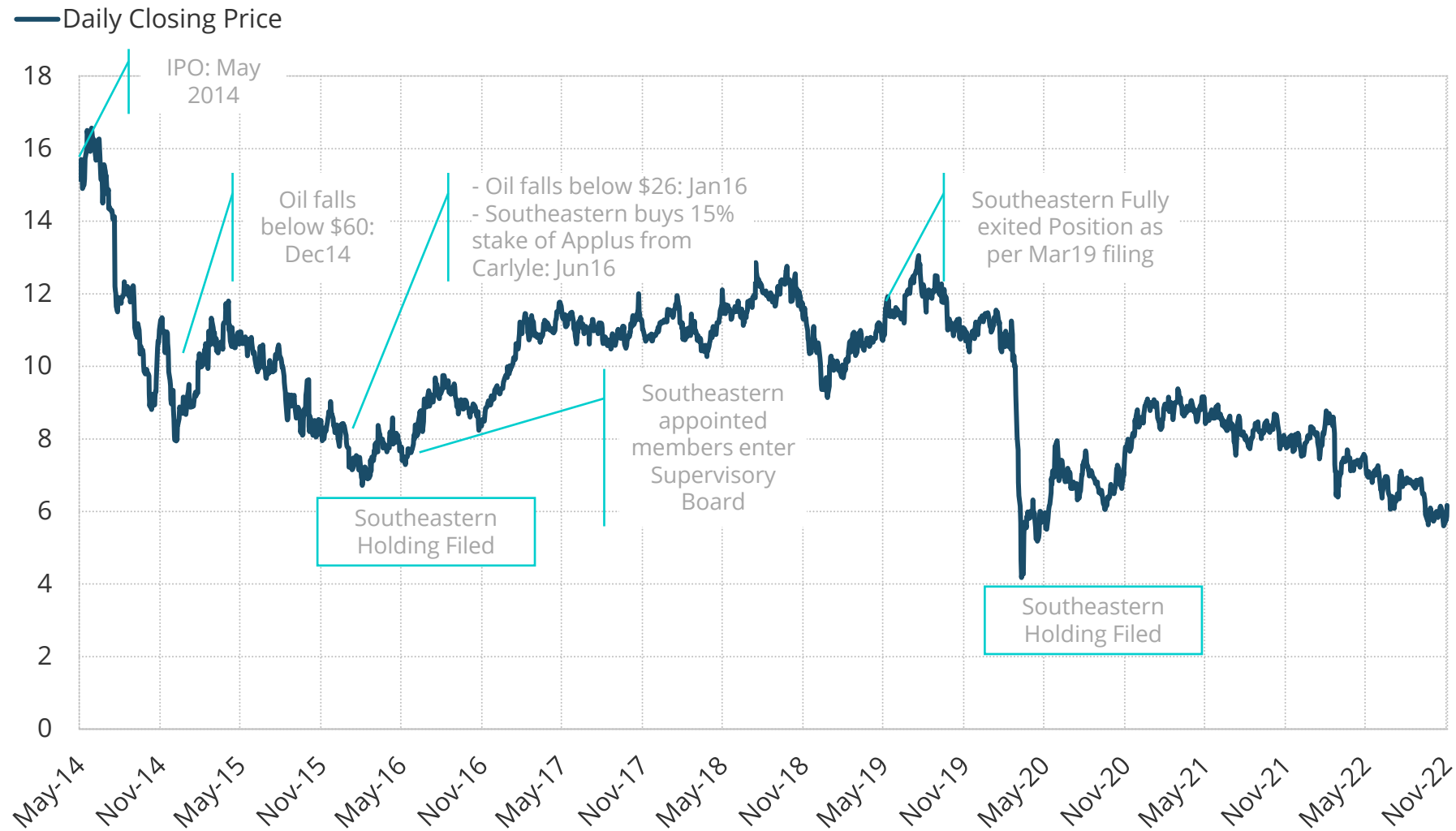
World Bank, Stock Market Turnover Ratio (Value Traded/Capitalization) for United States [DDEM01USA156NWDB], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DDEM01USA156NWDB>, November 14, 2022.

# SECO Case Studies



# Applus

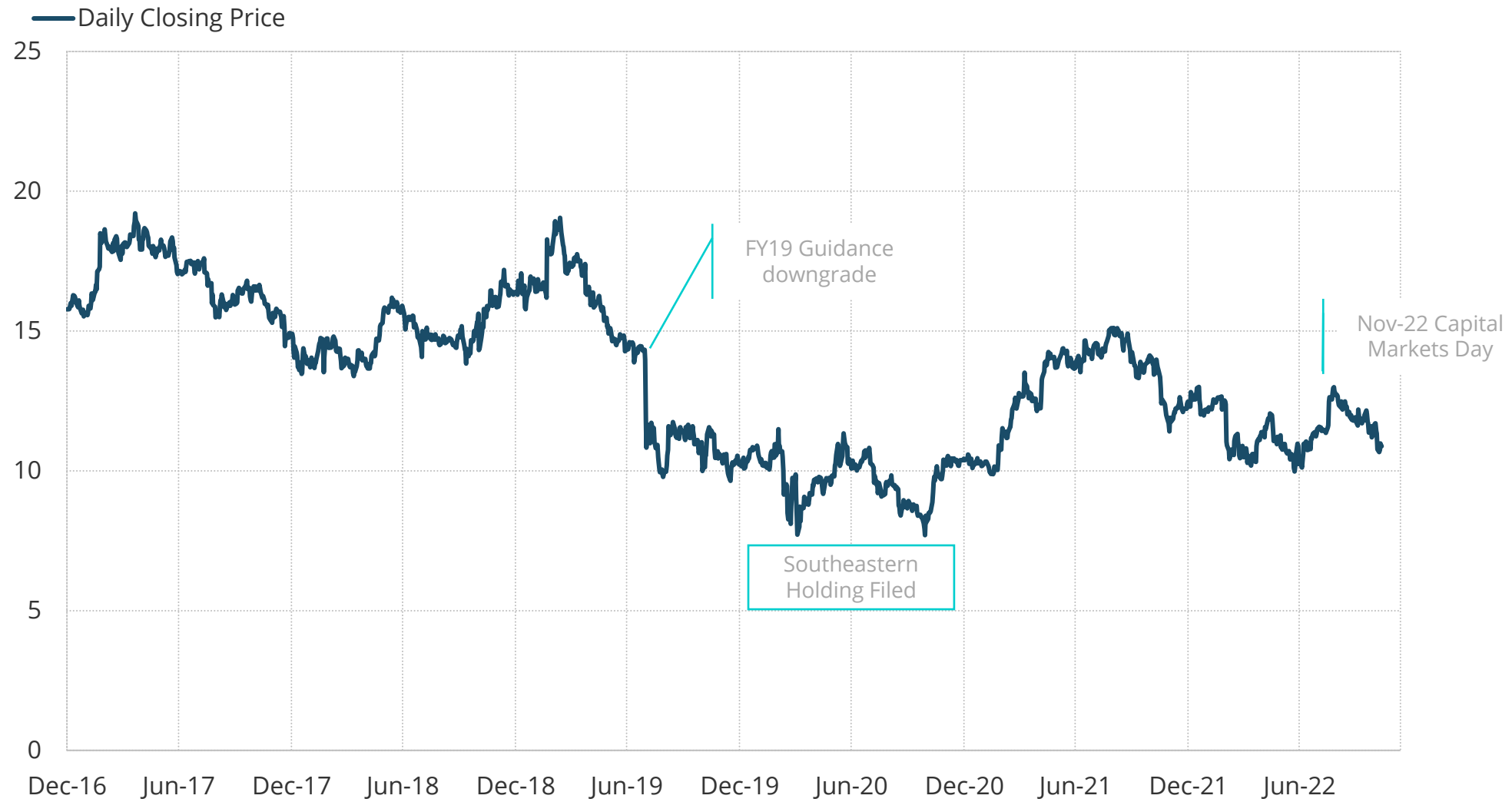
8-May-2014 to 11-Nov-2022



Source: FactSet

# Glanbia

1-Jan-2016 to 11-Nov-2022



Source: FactSet

# Disclosures



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P/V ("price to value") is a calculation that compares the prices of the stocks in a portfolio to Southeastern's appraisal of their intrinsic values. The ratio represents a single data point and should not be construed as something more. P/V does not guarantee future results, and we caution investors not to give this calculation undue weight.

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