



Our Value Approach

September 9, 2021

High-quality value—not deep value—defines our U.S. value equity team’s approach to value investing. The team seeks stocks that are industry leaders at a discount to their intrinsic value, and with potential limited downside.

Watch the video or read the recap below.

Our team’s approach to value investing is not deep value, but high-quality value.

We’re looking for stocks that we think are industry leaders as evidenced by demonstrable characteristics, such as high returns on capital, barriers to entry, high margins.

And we’re trying to find these high-quality companies that are temporarily mispriced, for one reason or another. We’re trying to buy them at a discount to not only what we think their intrinsic value is, but also with a potentially very limited downside.

When we approach valuation, we’re trying to buy companies that are undervalued on an absolute basis. So, we’re always trying to find companies that trade at a discount to the whole small-cap universe.

Beyond that, we’re really trying to triangulate three things.

One, we’re trying to buy companies that trade at a discount to other peer companies.

Two, we're trying to think about, "Are we buying companies that are trading at a discount to private market values?"

But third, which is really the core of our rigor, is that for every company we're looking at, we look at how the company's traded on a 5-, 10-, 20-year basis on a number of valuation factors.

We talk about the quality of management. We talk about the quality of the operations. We talk about the moats. What are the specific advantages that allows that company to the sustain higher margins, higher returns that we're looking for?

And so, if our investment thesis plays out, we want to be buying the company at the lower end of its historical trading range.

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