

Remick Capital, LLC

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Who Am I?

OSU Alum – Class of 2004

- *Major:* Electrical Engineering -- *Minor:* Business / Finance

Have worked for Intel since 2004

Passed Series 65 (Investment Adviser Law Exam) in 2006

Founded Remick Capital, LLC at the end of 2006

- Single Person LLC
- Currently manage money for ~15 clients
- AUM over \$1.2m

Remick Capital is a Registered Investment Advisor (RIA)

- Discretionary Investment Account management
- Asset based fee or pure performance fee based
- Not a hedge or mutual fund
- Regulated by the Oregon Securities Division

My Investing Approach

Value Based Approach

- Value investing does *not* mean you buy only low P/B or P/E
- Value investing implies only 'Valuation' - and (most importantly) buying at a discount

Generally Moderate Turnover

Focused Portfolio (Top 5 stocks usually 50-75% of holdings)

- Try to buy only my highest conviction ideas

Hold Cash When You Run Out of Ideas

- Try to have patience

Independent Analysis

- I do my own analysis and ignore the crowd (or try to take advantage)
- Stand by your convictions
- Admit to yourself *quickly* when you are wrong *and* learn from it

**There are many paths to investing success.
This is my way, but you may find a different one.**

My Investment Process

Step #1 – Idea Generation

- Screening (primarily quantitative – looking for outliers)
 - Low P/S, P/B, P/E and High ROA, ROIC, High Insider Ownership, etc
 - 52wk low, 52wk high → What's hated? What's loved?
- Follow good money managers (never be ashamed to leverage others' work!)
 - S. Klarman, W. Buffett, G. Greenberg, and B. Berkowitz. What are they buying?
 - Can sometimes find very interesting ideas...
- Spend time thinking about business in general, what are good kinds of business
 - Everyday you spend money; understand where it goes and who makes a profit
 - Probably 10 decent investment ideas on your way to school/work if your eyes are open
 - This step will help keep you away from fad investments...

Step #2 – Filter out the crap

- Out of every 100 businesses that look interesting you will probably toss out 90
- Do this quickly; bad management, flawed biz model, etc... just move on to the next
- You'll certainly miss some good investments, but this is a numbers game

Now the hard part...

Due Diligence

Step #3 – Figure out if it's a diamond in the rough or a piece of crap

- Read K's, Q's and proxy statements for the last few years
- Follow the money
 - Has management delivered before? Do they have skin in the game? How is their pay structured?
 - Does it make sense? Who are the big owners? Anything suspicious? Anything positive?
 - What about debt vs. equity... examine the capital structure
- Competition
 - Who are they? What are the advantages of each competitor?
 - Valuations should always be compared; what is the market saying about companies/industry?
 - Read as much as you can about the industry
- Ok, so things are looking good... strong competitive position, good management.
 - What is a reasonable range of values you think the equity/debt is worth?
 - How fast will this value grow?
 - Does this business have risk that correlates with your other investments?
- If all signs are good, buy at a reasonable discount to the low end of my value range

Always remember you can never know everything.

That's My Process: Here's Some Advice

I believe this advice is mostly universal regardless of your investment process:

- Keep learning; If you don't know more about investing next month than you know today; you're done
- Share ideas and learn from others but be sure *you* think for yourself
- Admit mistakes quickly (and of course, learn from them)
- If you must use margin leverage, be *very* careful... the future is never quite like the past
- Don't underestimate the inescapable truth that markets are *very* efficient (but not 100%)
- Never compromise your ethics. Ever.
- Investing is about maximizing your *real, after-tax, risk-adjusted* return
 - These 3 points may have different meanings to people, but it's a truism...
 - Investing is *not* about *looking* sophisticated or making more money than your neighbor.
- Make sure you track your performance accurately
 - Understand the implications of IRR, TWIRR, etc
- Know market history *very* well. Do not be surprised by something that is not surprising.
 - Japan's entire small capitalization equity market trades at ~0.3 times sales today.
 - Their real estate market fell for 15 years in a row starting in the late 80's
 - Could this happen here? Why or why not? Don't predict but definitely prepare...

Questions??

What do you want to know?

- Specific ideas? Where to look?
- Find a niche!
- Learn about the bond / credit markets!
- Questions about dealing with clients?
- Questions about starting a business?

Ask away...

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- While you're thinking; here are some of my favorite research locations:
 - www.sec.gov (you better know this...)
 - www.quantumonline.com (exchange traded bond/preferred tool)
 - www.investinginbonds.com (data for OTC bond trades)
 - Library (if they have Value Line...)
 - For more about me and my process → www.remickcapital.com

Random Thoughts for Discussion:

Good investments come from having an *edge*

- You need to understand why the person selling you shares or bonds is giving up value
- Forced selling (margin calls, client redemptions, etc)
- Uneducated (selling for non-fundamental reasons)
- Differing time horizons (does the seller value liquidity, short term performance more than you?)

Find situations where you have an edge

- Don't fall into the trap of believing you are smarter than the next guy... usually, the other guys is pretty smart

Understand Valuation

- Discounted Cash Flow analysis – helpful, but don't trick yourself into false precision
- Book Value / Replacement Value – don't ever forget about this
- Why has the market traded at about 15x P/E and generated returns ~6.5% above inflation
 - Coincidence? $1 \text{ divided by } 15 = 6.67\% \dots$

Backup

Economic History Cont...

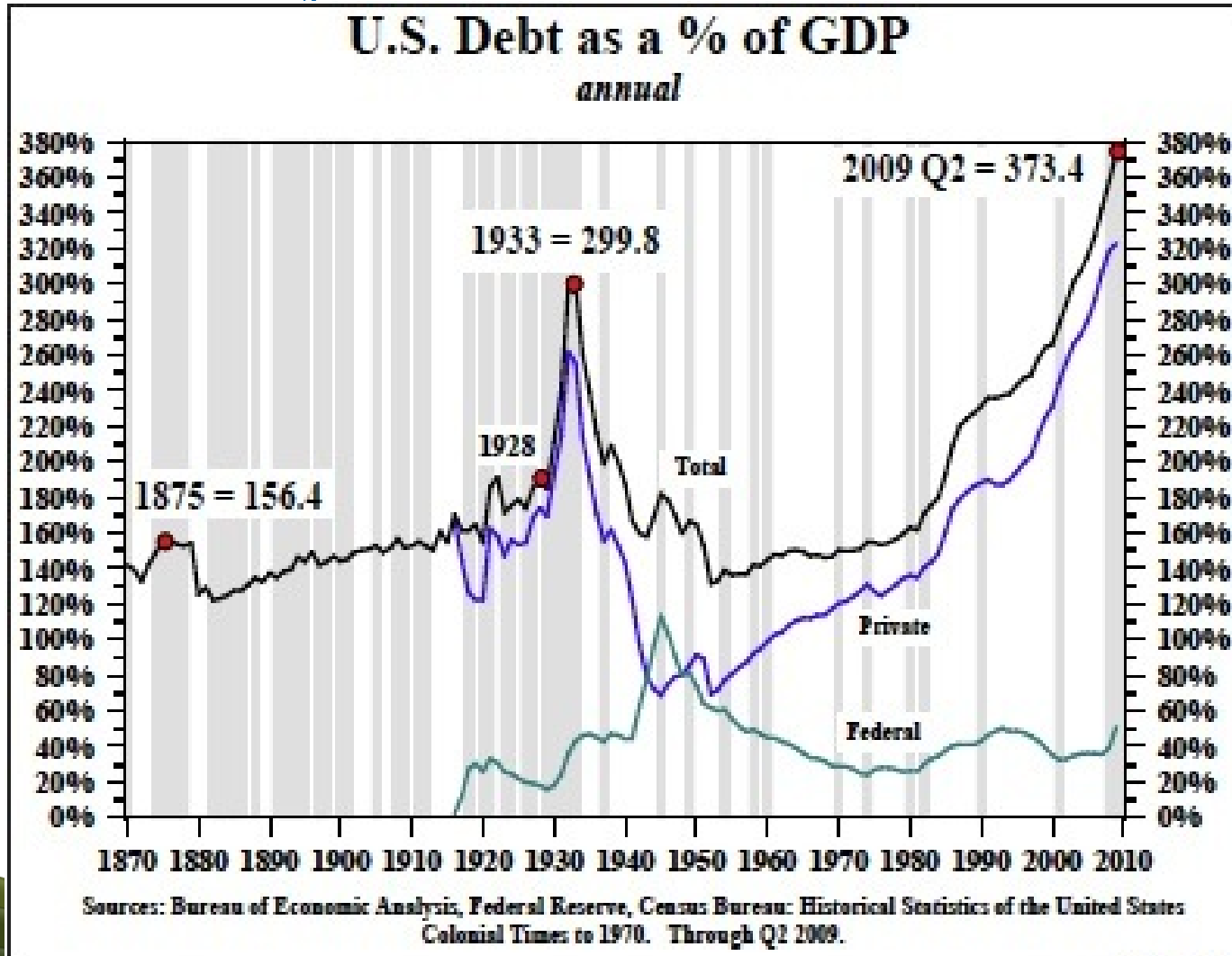
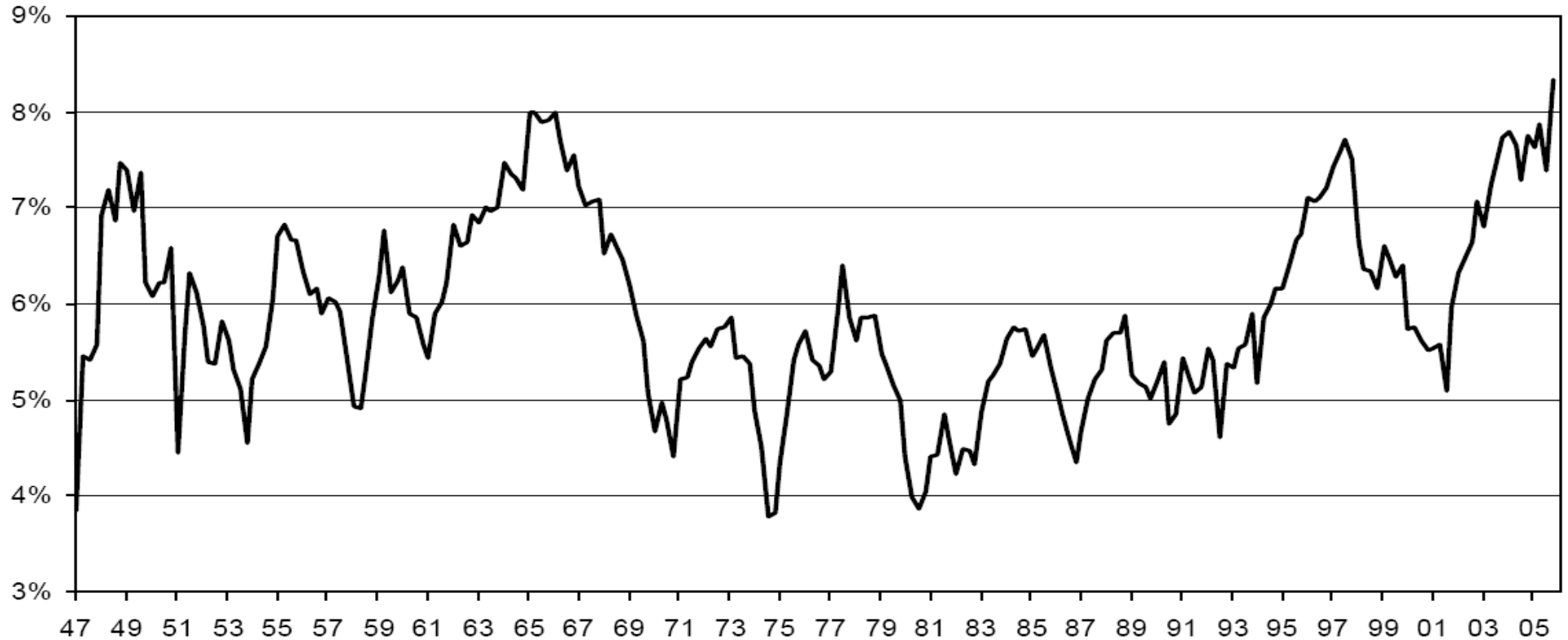


Chart 1

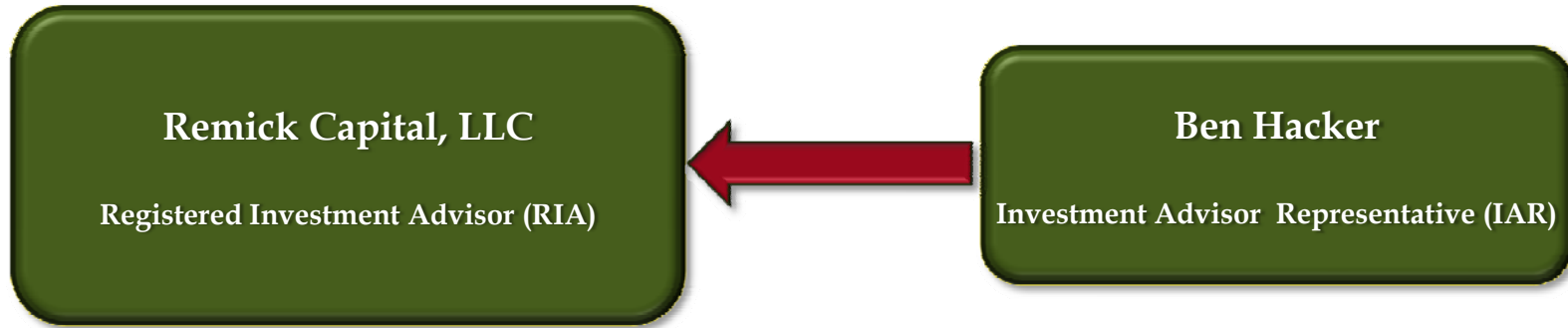
Economic History Cont...

Profit Margins in the U.S.



Profit Margins: Corporate profits after tax with IVA and CCAAdj as a percentage of final sales of domestic product

Firm Organization



- 100% owned by Ben Hacker
- Registered in State of Oregon

- Remick Capital has *one* representative
- Remick Capital is synonymous with Ben Hacker