

# Remick Capital, LLC

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Oregon State University - Investment Club

October 21<sup>st</sup>, 2008

# 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 \$500k

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 75% of holdings)

- Try to buy only my best ideas

## Hold Cash When You Run Out of Ideas

- Investing shouldn't be forced; have patience

## Independent Analysis

- Do your own analysis and Ignore the crowd (or better yet, 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
  - 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?
  - Always remember that form 13HR SEC reports only show a % of reality for a manager...
  - 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
  - Don't just look at earnings and cash flow; make sure you understand the balance sheet
- 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

**A pretty simple process... but not necessarily easy to execute on.  
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.
  - It's a small world and word of mouth is the best (and worst) advertising
- 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?

- Portfolio Construction? Risk Management? The business aspects of managing money?
- AIG, Freddie/Fannie, Lehman, etc?
- Worldwide debt implosion? Deflation vs. Inflation?
- Questions about dealing with clients?
- Etc...

Ask away...

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- While you're thinking; here are some of my favorite research locations:
  - [www.sec.gov](http://www.sec.gov) (you better know this...)
  - [www.quantumonline.com](http://www.quantumonline.com) (bond/preferred tool)
  - <http://moneycentral.msn.com/investor/finder/customstocks.asp> (screener)
  - Library (if they have Value Line...)
  - For more about me and my process → [www.remickcapital.com](http://www.remickcapital.com)

# Some Amazing Charts and Stats

## Statistics and the Media

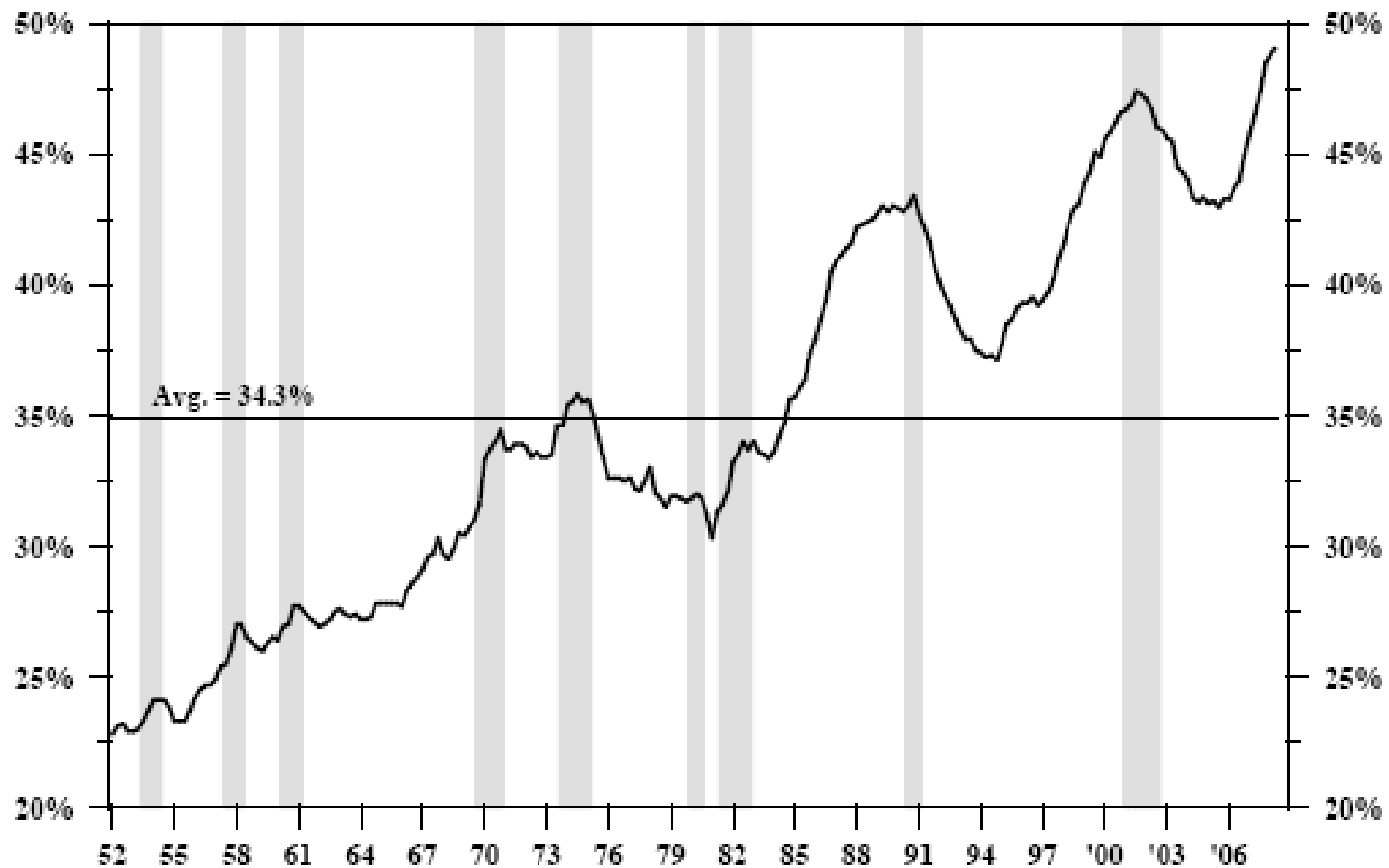
- Lots of things happening outside of the US that are highly relevant to markets that are left unmentioned.
- **Example:** UK mortgage market originations:
  - In August 2007 = £7 Billion. In August 2008 <£200 Million. Down 97+%. Virtually no housing transactions taking place in the current market.
- **Example:** What is the GAAP EPS Trailing P/E of the S&P500? 10, 12, 13, 16, 20?
  - 18 times based on S&P actual trailing data. Also 18 times based on S&P *forward* estimates.

## Beware of *stock* market focus vs. *credit* market focus – they are related

- Much more money in credit (bond) markets than stock markets.
  - Many equity investors feel they can ignore the credit markets. They are very wrong.
- Don't ever forget that stocks (individually) are only worth the profit that is available after paying bond/preferred holders. Very fundamental, but rarely discussed...
- Interest rates on all debt (save treasuries) has risen. This will have an impact on corporate profits. 1 hour a week thinking about this will be well spent.
- Interesting charts on the following pages...

# Economic History

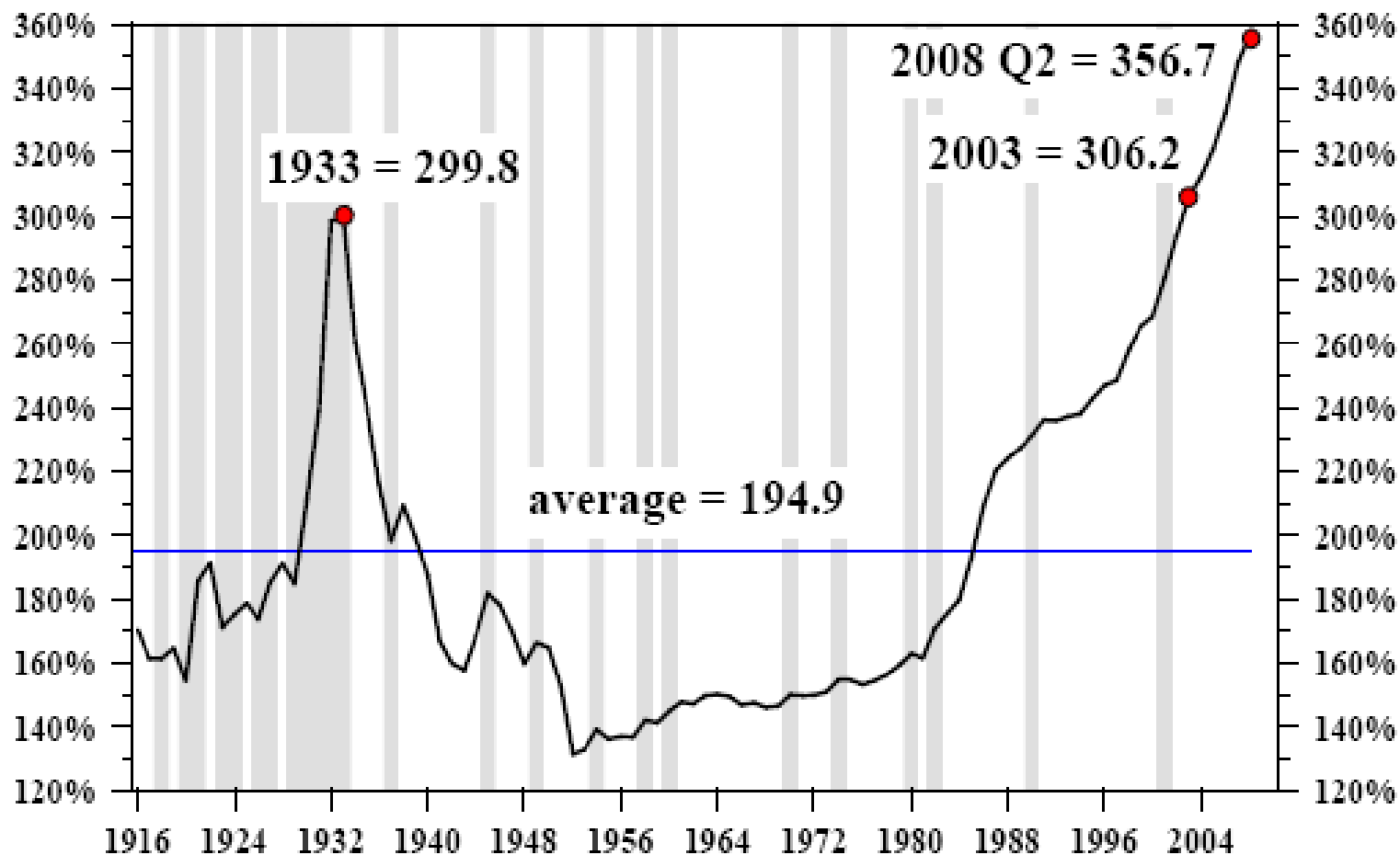
## Non-Financial Corporate Debt as a % of GDP *quarterly*



Source: Federal Reserve Board, Bureau of Economic Analysis. Through Q2 2008.

# Economic History Cont...

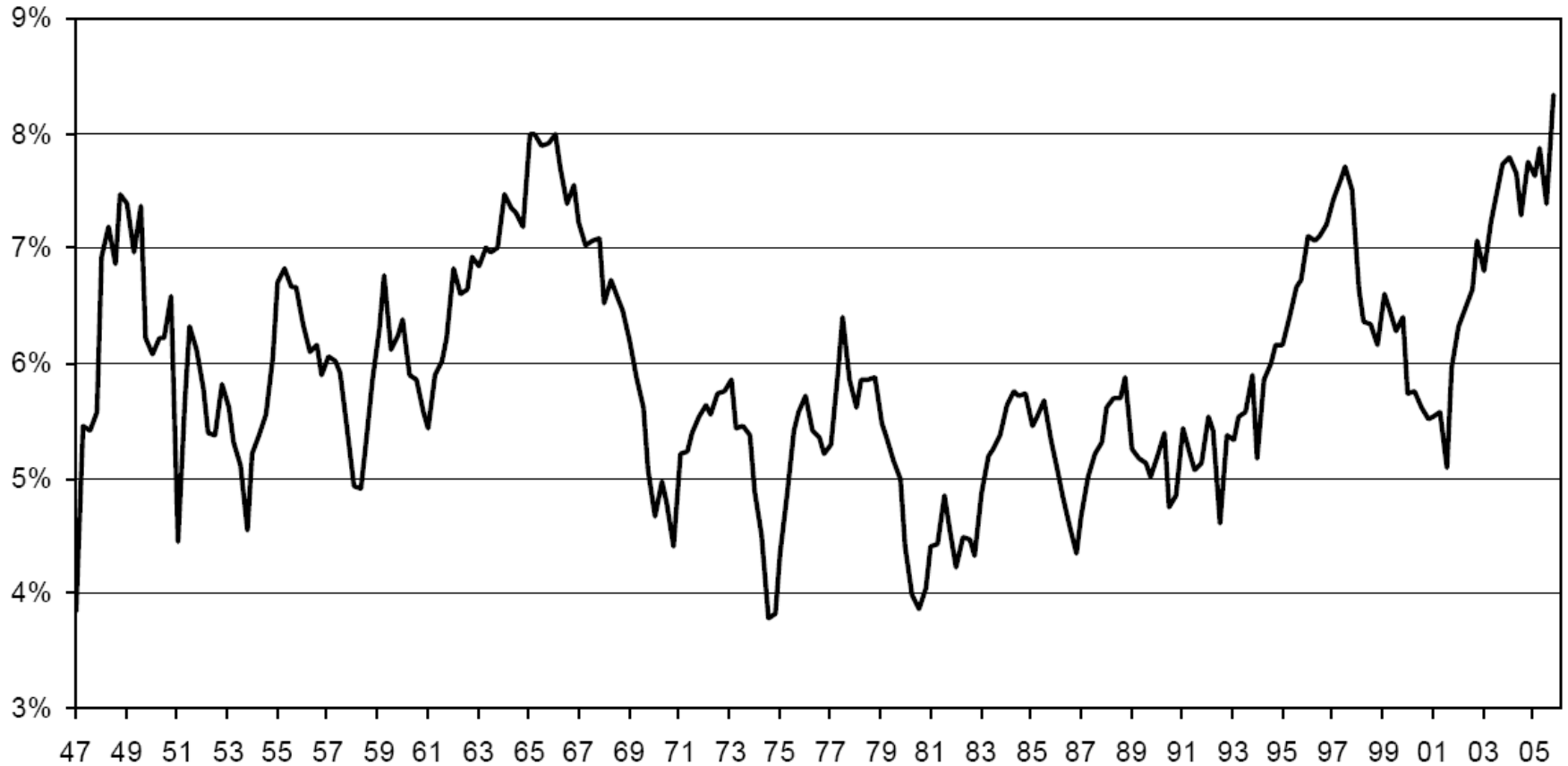
**Total U.S. Debt as a % of GDP**  
*annual*



Sources: Bureau of Economic Analysis, Federal Reserve, Census Bureau: Historical Statistics of the United States  
Colonial Times to 1970. Through Q2 2008.

# Economic History Cont...

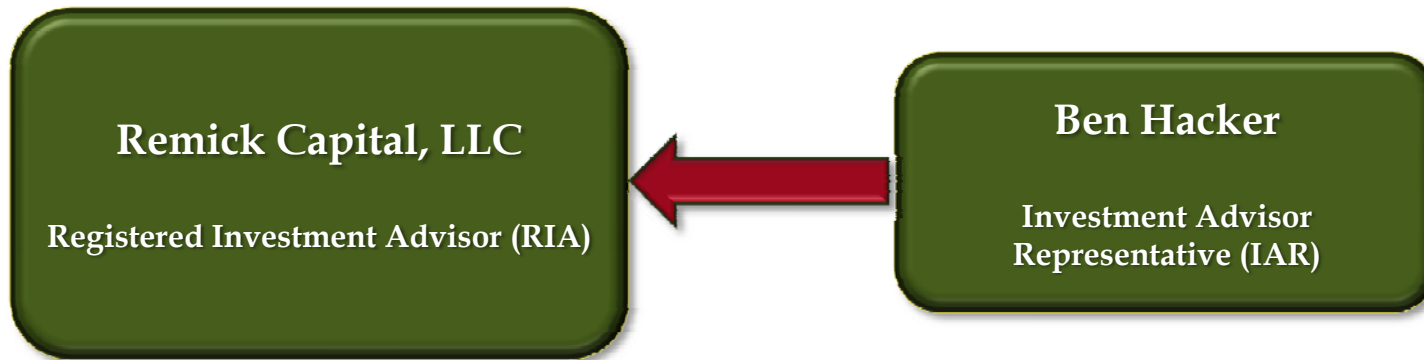
## Profit Margins in the U.S.



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

# Backup

# Firm Organization



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

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