

Lessons From Peter Cundill's Protege Jeroen Bos: Looking For Deep Value In London

[Peter Cundill](#) was a Canadian investment star who helped shake up the Canadian [money management](#) industry. Like many of history's best value investors, Cundill is relatively unknown outside of value circles but that shouldn't detract from his performance achieved over the years.

The Cundill value fund was launched in 1974 and from 1974 through to 1988 the fund returned 22% per annum. Over its 35 year history to 2010, the Cundill Value Fund achieved a CAGR of 13.7%, which is especially impressive when you consider the fact that the market was still recovering from the financial crisis when this figure was calculated. Peter Cundill's success led to the fund's assets increasing from less than \$10 million in 1974 to nearly \$20 billion in 2006 when Mackenzie Financial bought the management company.

Deep value

Cundill used a traditional deep [value approach](#), seeking to buy \$1 for \$0.40. Indeed, Cundill was quoted as saying that:

"Ninety to 95% of all my investing meets the Graham tests. The times I strayed from a rigorous application of this philosophy I got myself into trouble."

Unfortunately, after being diagnosed with an untreatable neurological condition in 2006, Cundill passed away during January 2011. However, a former partner of Cundill, Jeroen Bos remains active, searching for value investments in today's market.

Jeroen Bos has more than twenty years of investment experience and is one of the premier deep value investors in Europe. He authored the book, [Deep Value Investing: Finding bargain shares with big potential](#), which was published in 2013 and remains a committed Graham-Dodd style value investor. In his [own words](#):

"Deep value means I always start off with the balance sheet; that is the only thing that interests me. Lots of people try to argue that a stock is deep value when it has a low P/E or it has a high yield; that I don't think is really value investing; that is something different. I really always start off with the balance sheet, and if that shows me it's cheap, then I'm immediately interested. I've always worked on that basis."

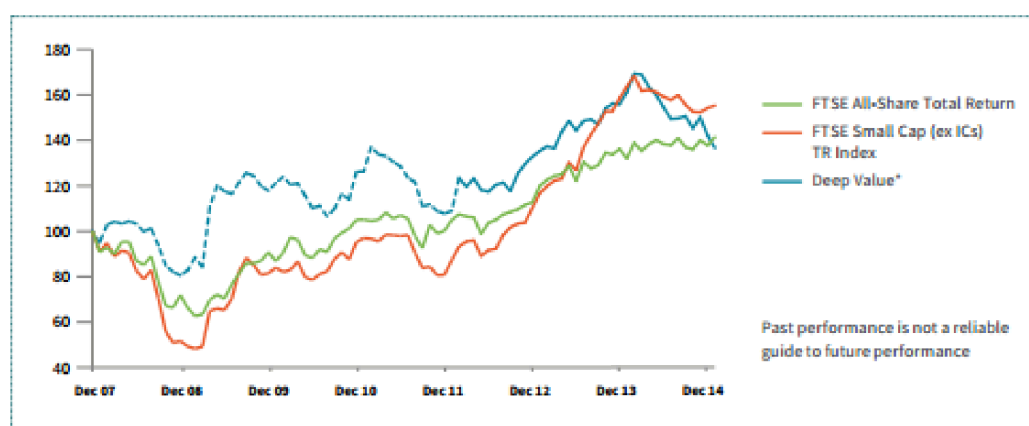
Deep value in London

Jeroen Bos trades in the London market, where he was an early scout for Cundill. He now runs his own fund, at [Church House Investment Management](#). With an increasing number of

investment managers voicing their concern that the US stock market has become overvalued, many are now looking overseas. It's interesting to see where a traditional deep value investor, who learnt from the best, is putting his money to work in Europe's financial hub.

Jeroen Bos runs the SVS [Church House Deep Value Investments Fund](#), a micro fund by many standards, with only £8.8m in assets under management. Up to 30% of the fund's assets may be invested overseas with the rest invested in UK equities. The fund was run as an offshore unregulated scheme, until February 2012 when it was opened to retail investors. And since then performance has been mixed. The fund returned 7.6% during 2012, 17.4% during 2013 and -8.8% during 2014. Over a five-year period the fund has matched its benchmark.

Performance v. UK Indices



Source: Church House, Bloomberg. *CARE: 'Deep Value' is the performance of the CH Deep Value Fund, an offshore unregulated scheme, until February 2012 (dashed rule) then The Deep Value Investments Fund.

Performance Summary (%)

	3m	1 yr	3 yrs	5 yrs
CH Deep Value Investments Fund	-5.9%	-15.2%	-	-
FTSE All Share Total Return Index	3.9%	7.1%	-	-

Source: Church House, Bloomberg. DVI is accumulations shares, NAV-to-NAV, net of fees.

Calendar Year Total Returns (%)

	YTD	2014	2013	2012 part	2011
Church House Deep Value Investments Fund	-3.9%	-8.8%	17.4%	7.6%	n/a

Source: Church House. Accumulation shares

One thing to note here: It's well-known that value, especially deep-value tends to underperform in a bull market. With this in mind, the [Church House Deep Value Investments Fund](#) should not be judged on the poor performance of the past two years or so. From December 2007 to the first quarter of 2010 the fund was up around 40%, outperforming its benchmark by more than 40%.

Jeroen Bos favours a relatively concentrated portfolio. The top ten holdings of the Deep Value Investments Fund account for 70% of assets. At present, just under 12% of assets are concentrated in short-term UK gilts. The rest of the fund's holdings are shown below, along with

a link to the most recent fund commentary that gives a summary of portfolio movements.

Treasury Treasury 4.75% 07/09/2015	11.7%	Gleeson (M.J.) Group Plc ord 2p	6.3%
Record Plc ord 0.025p	9.1%	Icahn Enterprises	6.1%
Barratt Developments Plc ord 10p	7.8%	Norcon	5.3%
London Capital Group Plc ord 10p	7.3%	H&T Group	4.1%
French Connection	6.9%	Ambrian	4.1%