Investment philosophy

Defining the area of interest

Screening for opportunities

Examining specific opportunities

Valuation

Accounting for risk

Investing and portfolio construction
Longleaf Partners 1987* - 1999 annual returns ($)

Assuming $100 invested at inception:
Longleaf = $626 at end 1999
S&P 500 = $710 at end 1999

Assuming $100 invested at inception:
Longleaf = $1,143 at end 2005
S&P 500 = $663 at end 2005

Longleaf Partners 1987* - 2015 annual returns ($)

Assuming $100 invested at inception:
- Longleaf = $1,577 at end 2015
- S&P 500 = $1,341 at end 2015

Phoenix UK 1998* - 2008 annual returns (£)

Assuming £100 invested at inception:
Phoenix = £150 at end 2008
FTSE All Share = £109 at end 2008

Phoenix UK 1998* - 2015 annual returns (£)

Assuming £100 invested at inception:
Phoenix = £522 at end 2015
FTSE All Share = £220 at end 2015

Cundill Value 1974 - 1998 annual returns (C$)

Assuming $100 invested at inception:
Cundill = $3,716 at end 1998
MSCI World = $4,006 at end 1998
Cundill Value 1974 - 2010 annual returns (C$)

Assuming $100 invested at inception:
Cundill = $10,173 at end 2010
MSCI World = $3,531 at end 2010
Graham & Dodd P/E – prospective returns

10 year annualised return by starting Graham & Dodd P/E

What you pay, not the growth you get, is the biggest driver of future returns

Source: Societe Generale, as at December 2009, based on US Equity market – since 1880
Where do you think the markets of most interest to you are in this cycle?
Reinvesting When Terrified

Jeremy Grantham
US outperforms

Rest of developed world outperforms

US: S&P 500 Index
Rest of World: MSCI EAFE Index.
Japan valuation

Source: Gavekal Data/Macrobond.
U.S. long-term real equity returns

Last data point: 23.06.2014
Source: Datastream, CS Global Strategy / IDC
Fiat Group - the original purchase

- Split into Fiat SpA and Fiat Industrial (1-for-1):
  - Fiat SpA = €6.69
  - Fiat Industrial = €8.99

Source: Oldfield Partners, Bloomberg
Fiat SpA

- Reversion to the mean and sell discipline

Source: Oldfield Partners, Bloomberg.
Data as at 30th June 2014.
## Fiat Group SOTP Valuation

**28th January 2010**

<table>
<thead>
<tr>
<th>Division</th>
<th>Sales €m 2011E</th>
<th>Trading Mgn 2011E</th>
<th>Trading Profit 2011E</th>
<th>EV/EBIT Multiple</th>
<th>EV</th>
<th>Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiat Auto - Brazil</td>
<td>7,700</td>
<td>12%</td>
<td>924</td>
<td>7</td>
<td>6,468</td>
<td>5.21</td>
</tr>
<tr>
<td>Fiat Auto - RoW</td>
<td>19,300</td>
<td>-1.7%</td>
<td>(334)</td>
<td>5</td>
<td>(1,748)</td>
<td>(1.41)</td>
</tr>
<tr>
<td>Fiat Auto</td>
<td>27,000</td>
<td>2.2%</td>
<td>590</td>
<td>8</td>
<td>4,720</td>
<td>3.80</td>
</tr>
<tr>
<td>Ferrari</td>
<td>2,300</td>
<td>15.2%</td>
<td>350</td>
<td>10</td>
<td>3,500</td>
<td>2.82</td>
</tr>
<tr>
<td>Maserati</td>
<td>530</td>
<td>5.7%</td>
<td>30</td>
<td>8</td>
<td>240</td>
<td>0.19</td>
</tr>
<tr>
<td>CNH</td>
<td>10,500</td>
<td>8.1%</td>
<td>850</td>
<td>10</td>
<td>8,500</td>
<td>6.85</td>
</tr>
<tr>
<td>Iveco</td>
<td>8,800</td>
<td>5.7%</td>
<td>500</td>
<td>10</td>
<td>5,000</td>
<td>4.03</td>
</tr>
<tr>
<td>Fiat Powertrain Technology (FPT)</td>
<td>6,500</td>
<td>3.1%</td>
<td>200</td>
<td>8</td>
<td>1,600</td>
<td>1.29</td>
</tr>
<tr>
<td>Magneti Marelli (Components)</td>
<td>4,400</td>
<td>2.7%</td>
<td>120</td>
<td>8</td>
<td>960</td>
<td>0.77</td>
</tr>
<tr>
<td>Metalurgic Products (Teksid)</td>
<td>660</td>
<td>4.5%</td>
<td>30</td>
<td>8</td>
<td>240</td>
<td>0.19</td>
</tr>
<tr>
<td>Production Systems (Comau)</td>
<td>1,170</td>
<td>0.9%</td>
<td>10</td>
<td>5</td>
<td>50</td>
<td>0.04</td>
</tr>
<tr>
<td>Other Business &amp; Eliminations</td>
<td>(6,600)</td>
<td>(100)</td>
<td>(93)</td>
<td>(926)</td>
<td>(0.75)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55,260</strong></td>
<td><strong>4.7%</strong></td>
<td><strong>2,580</strong></td>
<td><strong>9.3</strong></td>
<td><strong>23,884</strong></td>
<td><strong>19.25</strong></td>
</tr>
</tbody>
</table>

**Chrysler** (20% stake going to 35% for free)

- Industrial Net Debt: (4,460) (3.60)
- Pension adjustment (post-tax): (3,400) (2.74)
- Minority interest: (1,100) (0.89)

| Other equity stakes incl. FGA Capital     | 1,867          | 1.51      |
| RCS Mediagroup                            | 85            | 0.07      |

**Target price**: 16,876 13.60
**Current price**: 9.00
**Upside/(Downside)**: 51%

*Source: Oldfield Partners, Bloomberg.*
### Fiat SpA SOTP Valuation

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Mass markets - NAFTA</td>
<td>48,565</td>
<td>5.5%</td>
<td>2,671</td>
<td>6.0</td>
<td>16,026</td>
<td>12.82</td>
</tr>
<tr>
<td>Mass markets - LATAM</td>
<td>9,245</td>
<td>3.0%</td>
<td>277</td>
<td>7.0</td>
<td>1,941</td>
<td>1.55</td>
</tr>
<tr>
<td>Mass markets - APAC</td>
<td>7,440</td>
<td>7.0%</td>
<td>521</td>
<td>7.0</td>
<td>3,646</td>
<td>2.92</td>
</tr>
<tr>
<td>Mass markets - EMEA</td>
<td>18,661</td>
<td>-0.5%</td>
<td>(93)</td>
<td>3.5</td>
<td>(327)</td>
<td>(0.26)</td>
</tr>
<tr>
<td><strong>Mass market brands</strong></td>
<td>83,910</td>
<td>4.0%</td>
<td>3,376</td>
<td>6.3</td>
<td>21,287</td>
<td>17.03</td>
</tr>
<tr>
<td>Ferrari</td>
<td>2,526</td>
<td>15.5%</td>
<td>391</td>
<td>11.5</td>
<td>4,502</td>
<td>3.60</td>
</tr>
<tr>
<td>Maserati</td>
<td>2,820</td>
<td>10.0%</td>
<td>282</td>
<td>6.0</td>
<td>1,692</td>
<td>1.35</td>
</tr>
<tr>
<td>Components &amp; Production</td>
<td>8,080</td>
<td>2.4%</td>
<td>194</td>
<td>6.5</td>
<td>1,260</td>
<td>1.01</td>
</tr>
<tr>
<td>Other Business &amp; Eliminations</td>
<td>(3,302)</td>
<td>-</td>
<td>(70)</td>
<td>6.5</td>
<td>(455)</td>
<td>(0.36)</td>
</tr>
<tr>
<td>FGA Capital</td>
<td>n.a.</td>
<td>-</td>
<td>80</td>
<td>9.6</td>
<td>771</td>
<td>0.62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>94,034</td>
<td>4.5%</td>
<td>4,253</td>
<td>6.8</td>
<td>29,057</td>
<td>23.25</td>
</tr>
</tbody>
</table>

<p>| | | | | | | |</p>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Implied PE Multiple</strong></td>
<td><strong>PE Multiple (Ex pension)</strong></td>
<td><strong>Implied value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(10,675)</td>
<td>(8.54)</td>
<td>(11,770)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(7,336)</td>
<td>(5.87)</td>
<td>(7,336)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(446)</td>
<td>(0.36)</td>
<td>(446)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,170</td>
<td>0.94</td>
<td>1,170</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11,770</td>
<td>9.42</td>
<td>11,770</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1,211)</td>
<td>(0.97)</td>
<td>(1,211)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>516</td>
<td>0.41</td>
<td>516</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Target price</strong></td>
<td>11,075</td>
<td>8.86</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average sale price</strong></td>
<td>7.48</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>% upside</strong></td>
<td>18%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Oldfield Partners, Bloomberg.
Fiat summary – what we got right and what we got wrong

- CNH
- Ferrari & Maserati
- Brazil
- Chrysler
- Auto cycle
- Equity financing / cash flow
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