

Finely crafted investments



Fuller Treacy Money : Markets Now Prophets, Philosophers and Zookeepers

28 September 2015
Dr Paul Jourdan

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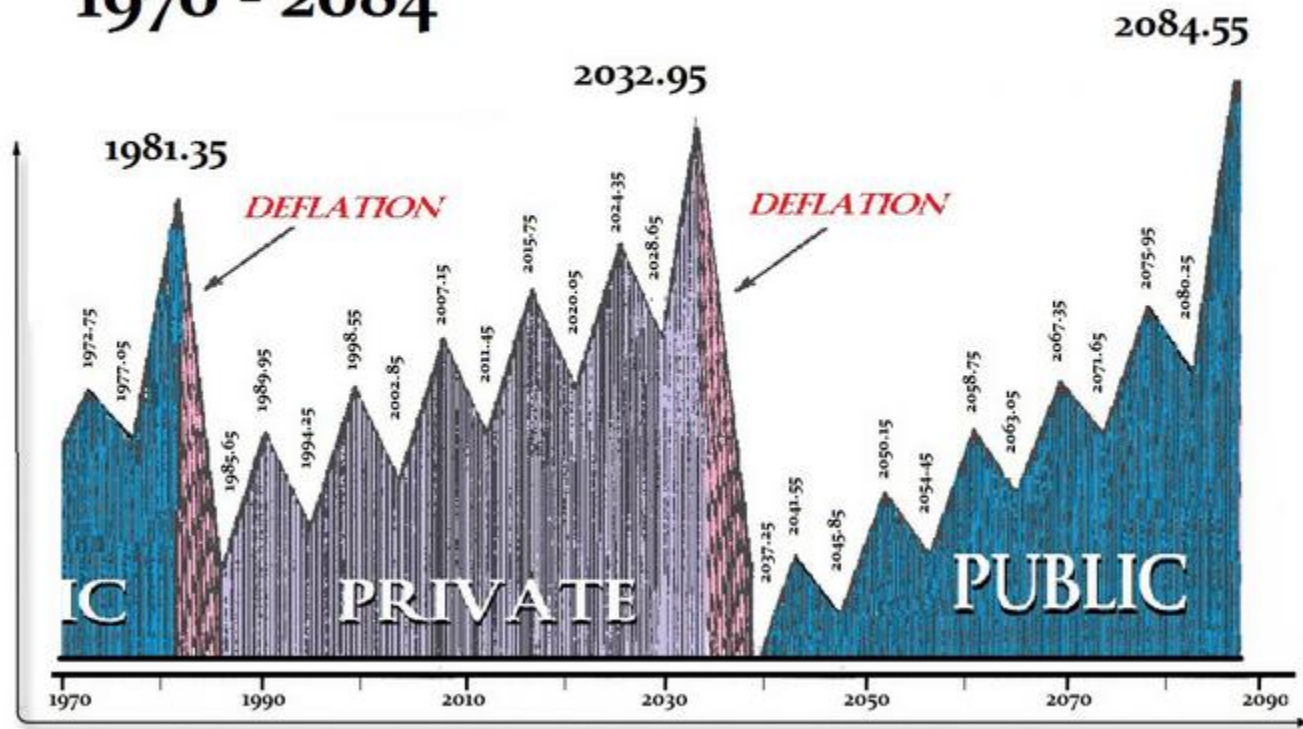
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Predicting the Future Method 1 – Prophecy

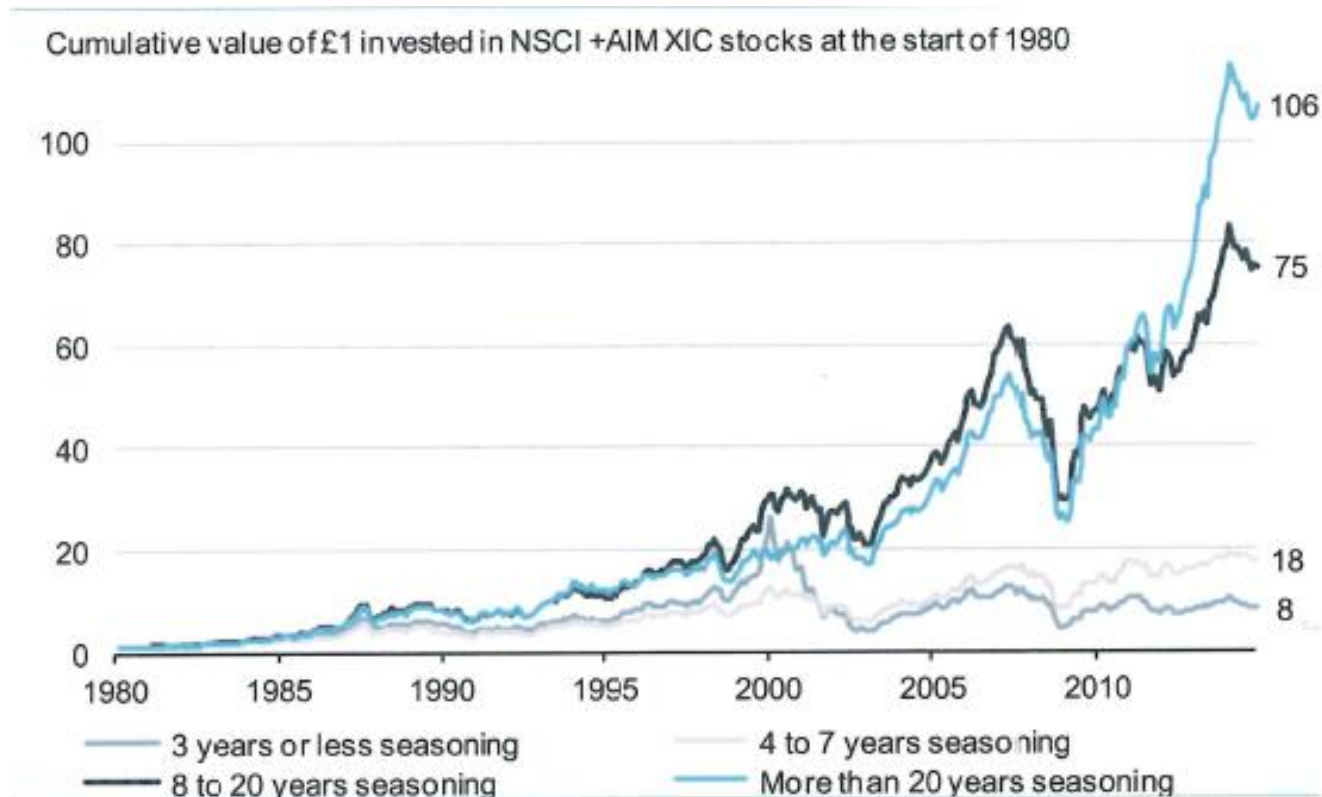


Economic Confidence Model 1970 - 2084



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Predicting the Future Method 2 – Backtesting



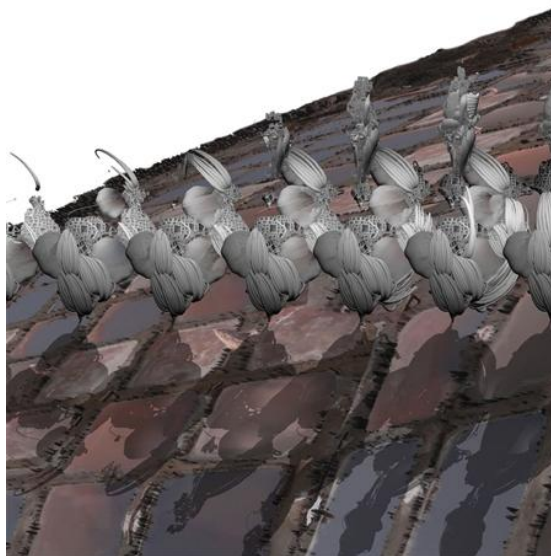
Source: Elroy Dimson and Paul Marsh, Numis

Predicting the Future Method 3 – Social Theory

EXPULSIONS

Brutality and Complexity in the Global Economy

SASKIA SASSEN

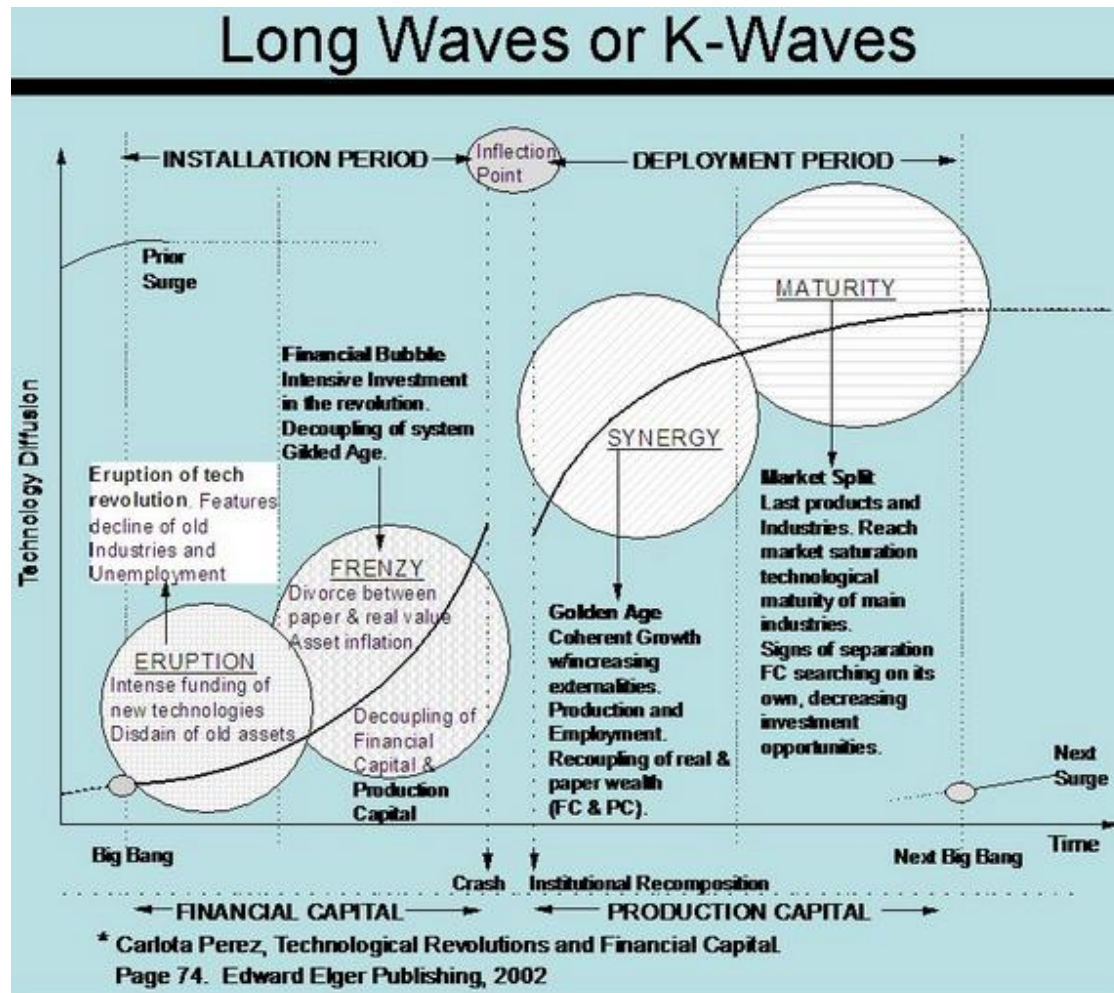


3

Expanding the Terrain for
Global Capital
*When Local Housing Becomes an
Electronic Instrument*

Saskia Sassen

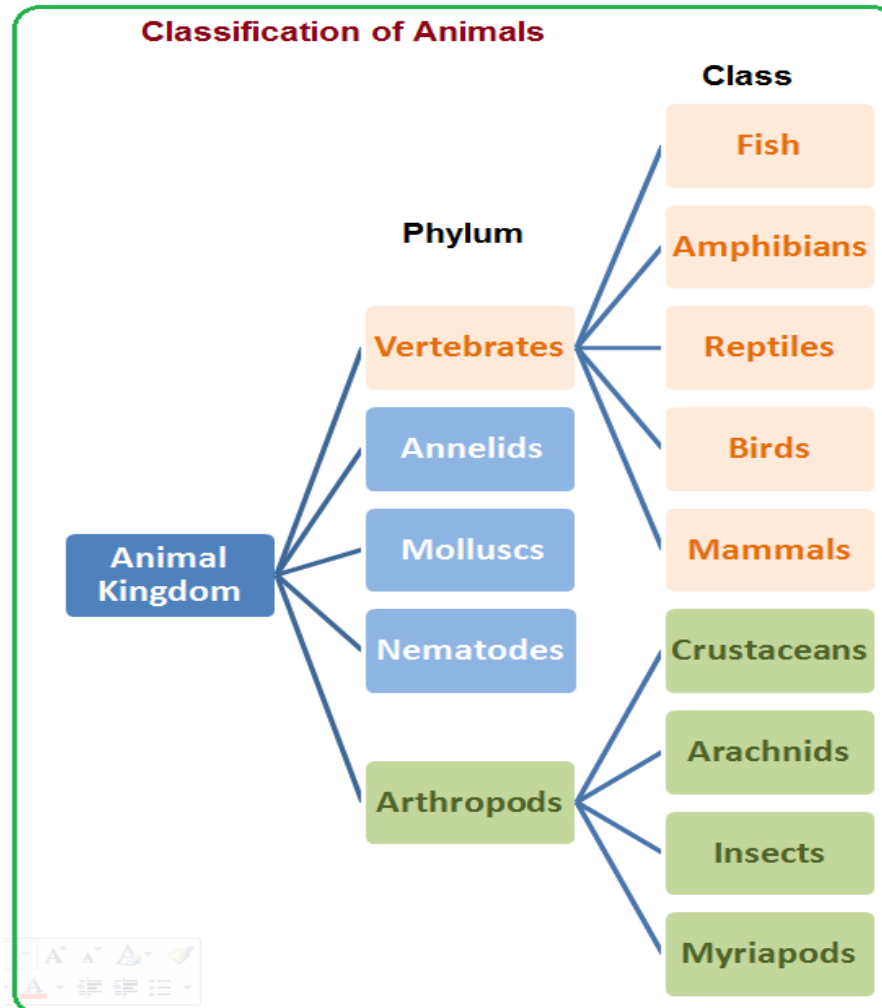
Predicting the Future Method 4 – Economic Theory



Predicting the Future Method 5 - Face-to-Face



Animal Kingdom of Equity Investing



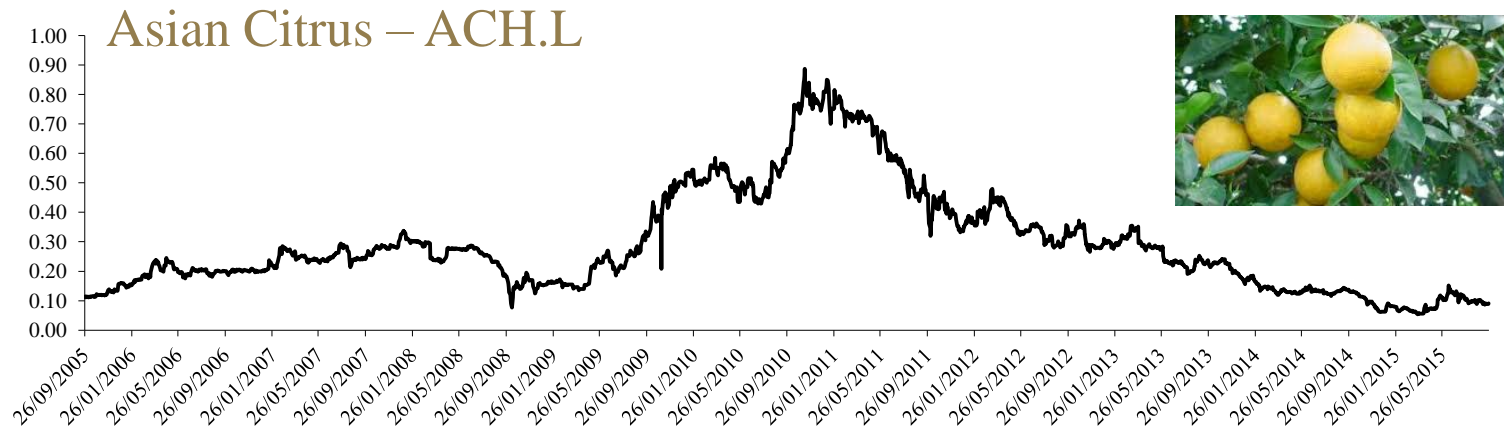
Class 1: Fish



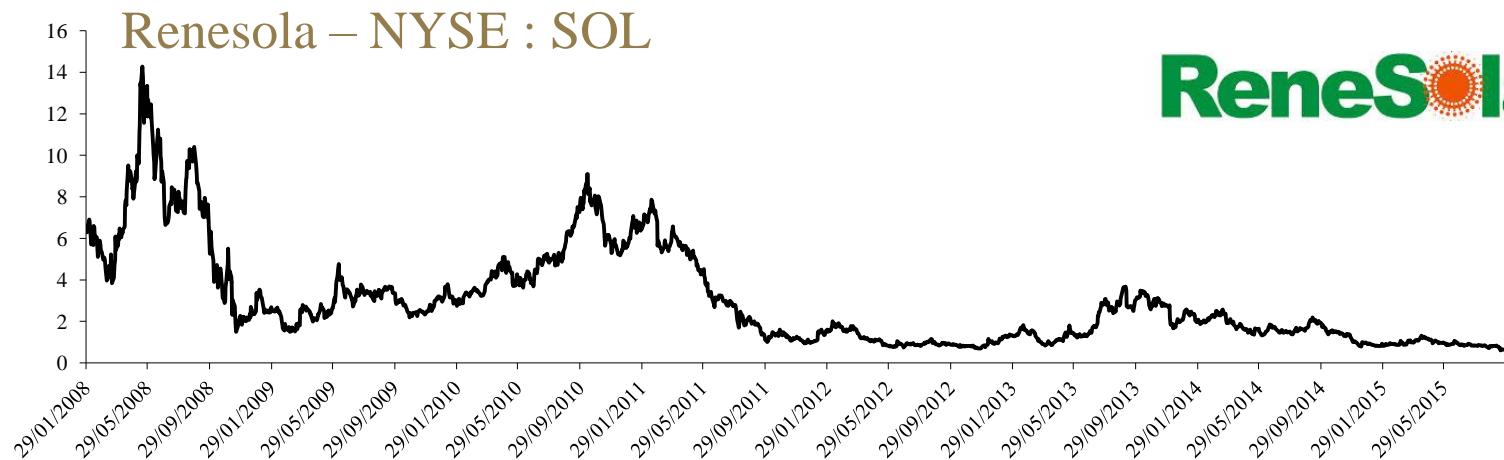
Fishing



Asian Citrus & Renesola



Source: Capital IQ; 10 year performance to 24 September 2015

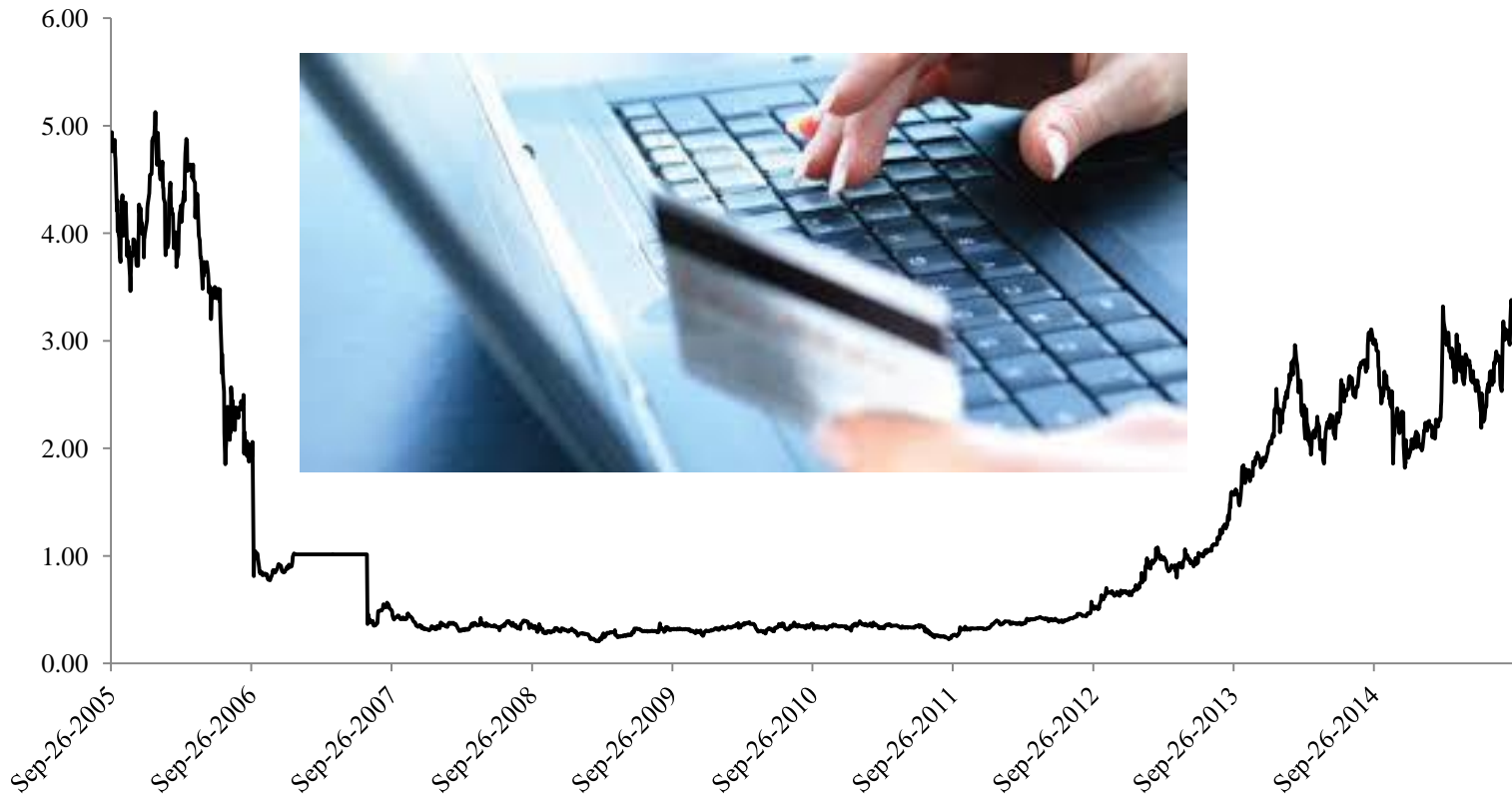


Source: Capital IQ; 10 year performance to 24 September 2015

Class 2: Amphibians



Optimal Payments



— Optimal Payments (OPAY.L) share performance chart
Source: Capital IQ; 10 year performance to 24 September 2015

Class 3: Reptiles



Reptile Detection – the M-Score

Days' Sales in Receivables Index (DSRI)

Gross Margin Index (GMI)

Asset Quality Index (AQI)

Sales Growth Index (SGI)

Depreciation Index (DEPI)

SG&A Expenses Index (SGAI)

Leverage Index (LEVI)

Total Assets to Total Accruals Index (TATA)

$$\begin{aligned}
 \mathbf{M} = & -4.84 + 0.92*\mathbf{DSRI} + 0.528*\mathbf{GMI} + 0.404*\mathbf{AQI} + \\
 & 0.892*\mathbf{SGI} + 0.115*\mathbf{DEPI} - 0.172*\mathbf{SGAI} + 4.679*\mathbf{TATA} \\
 & - 0.327*\mathbf{LVGI}
 \end{aligned}$$



Prof. Beneish

Reptile Detection – Worked Example

Parameters	2013	2012
Year	Year-1	Year-0
Net Sales	380.131	163.936
Cost of Goods	197.815	91.216
Net Receivables	327.873	177.871
Current Assets	527.787	226.081
Property, Plant and Equipment	9.357	7.296
Depreciation	2.22	1.976
Total Assets	881.481	414.729
SGA Expense	64.26	29.863
Net Income	82.696	27.4
Cash Flow from Operations	-8.9	14.6
Current Liabilities	197.097	125.861
Long-term Debt	12.622	8.043

Derived Variables		
Other L/T Assets [TA-(CA+PPE)]	344.337	181.352
DSRI	0.795	
GMI	0.925	
AQI	0.893	
SGI	2.319	
DEPI	1.111	
SGAI	0.928	
TATA	0.104	
LVGI	0.737	

Prof. Beneish

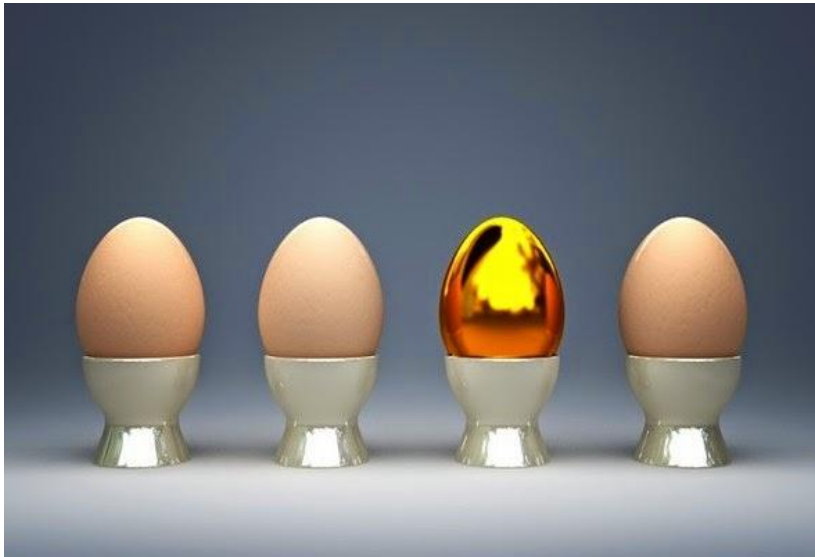


2013 M-Score

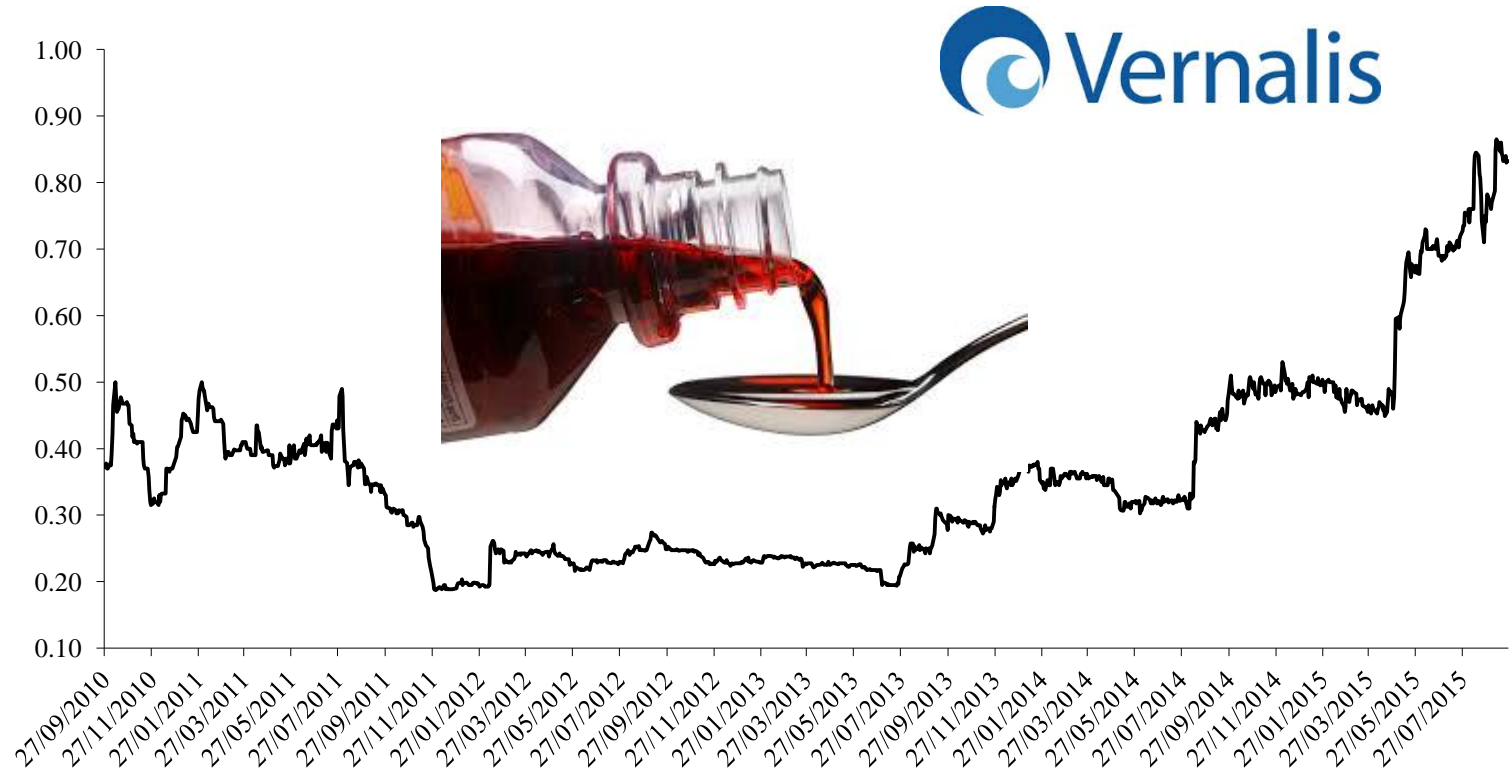
-0.9776

8 variable model

Class 4: Birds



Vernalis



— Vernalis (VER.L) share performance chart
Source: Capital IQ; performance from 27 September 2010 to 24 September 2015

Class 5: Mammals



FDM



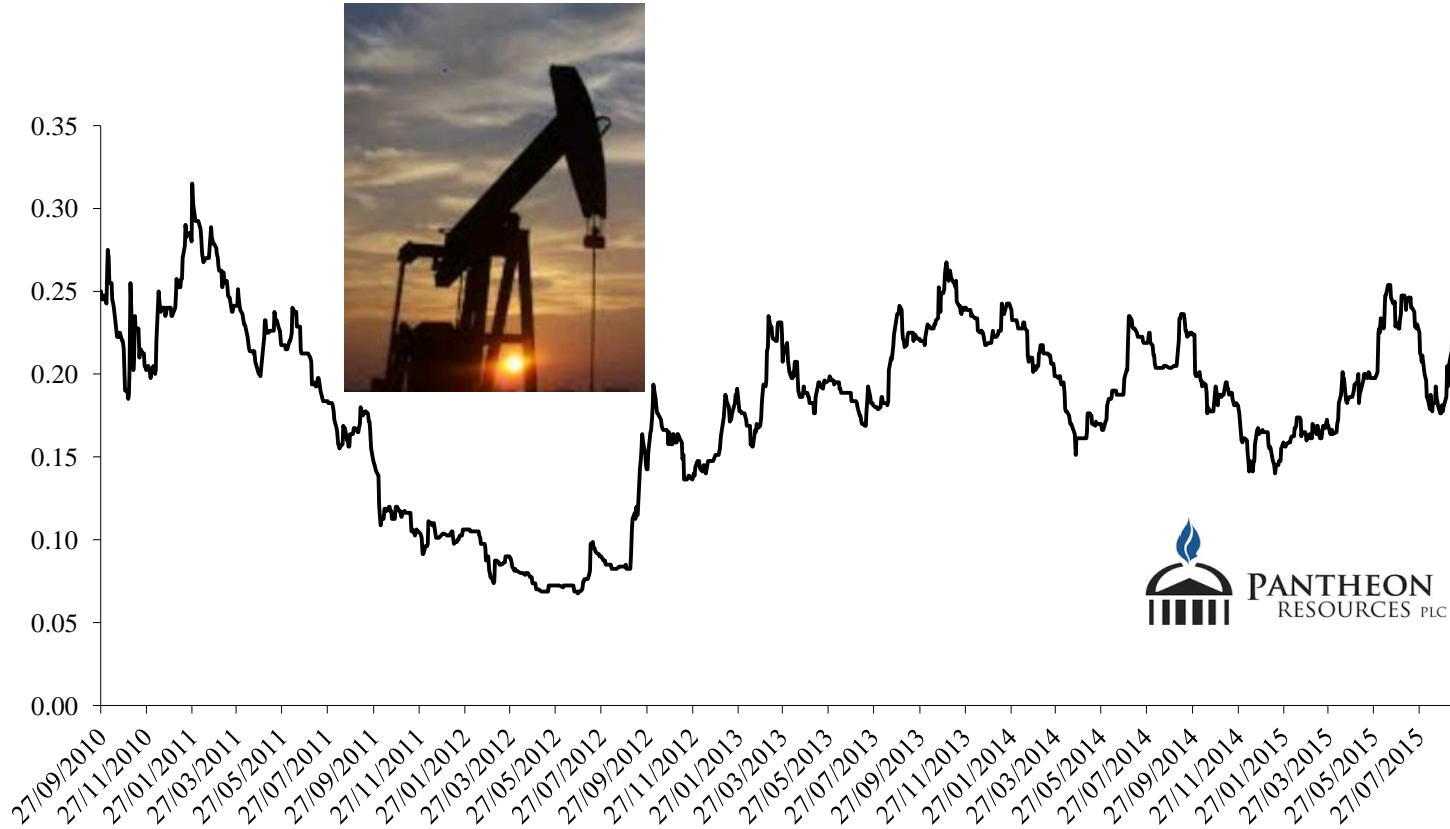
— FDM (FDM.L) share performance chart
Source: Capital IQ; performance from 23 June 2014 to 24 September 2015

Life Cycle Category 1:

TRUST ME



Pantheon Resources



— Pantheon Resources (PANR.L) share performance chart
Source: Capital IQ; performance from 27 September 2010 to 24 September 2015

Life Cycle Category 2:

BEST THING SINCE



Seeing Machines



— Seeing Machines (SEE.L) share performance chart
Source: Capital IQ; performance from 1 Dec 2005 to 24 September 2015

Life Cycle Category 3:



Accesso



— accesso (ACSO.L) share performance chart
Source: Capital IQ; 10 year performance to 24 September 2015

Life Cycle Category 4:



Ted Baker

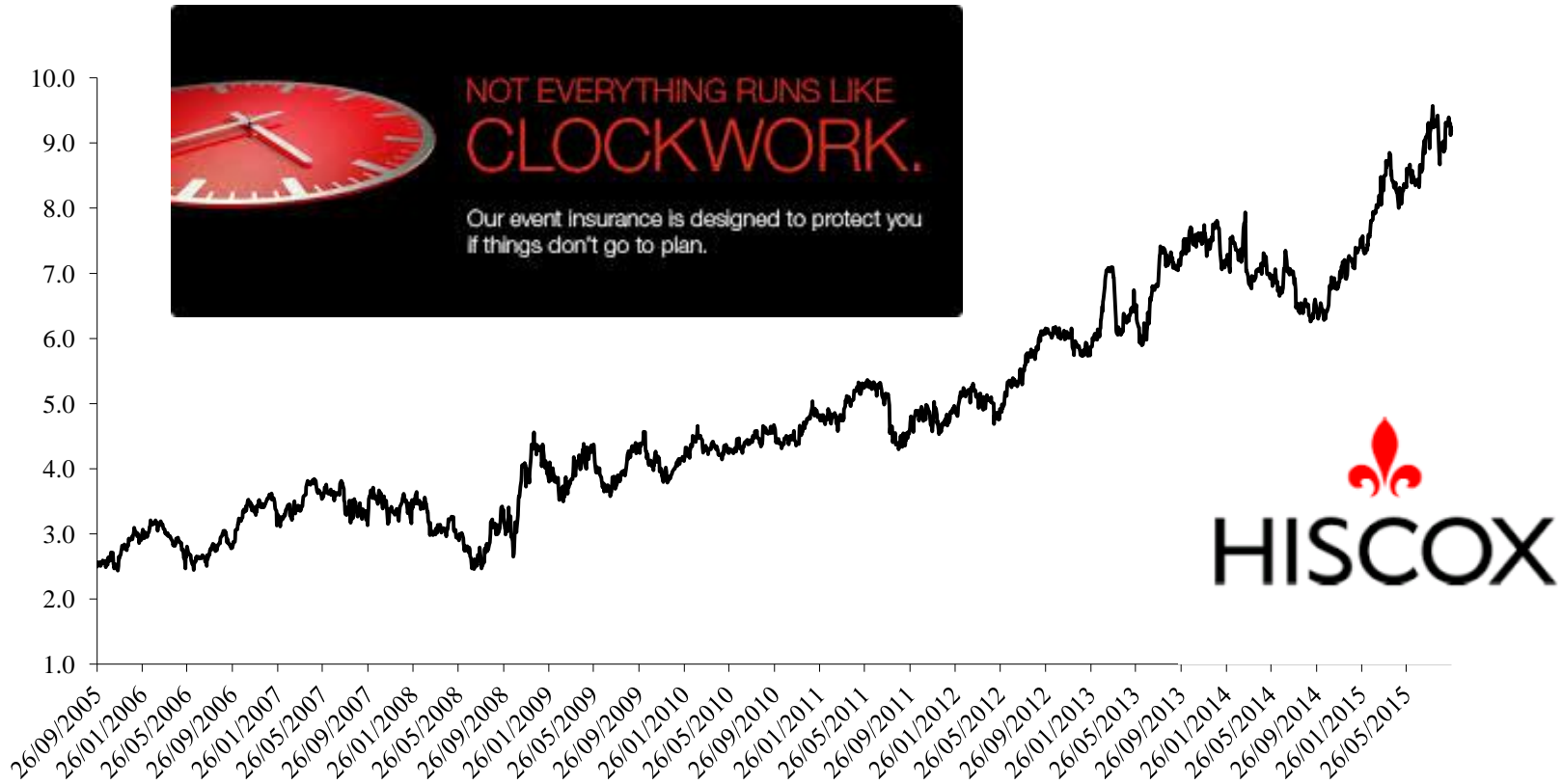


— Ted Baker (TED.L) share performance chart
Source: Capital IQ; 10 year performance to 24 September 2015

Life Cycle Category 5: Hand-Me-Downs



Hiscox



— Hiscox (HSX.L) share performance chart
Source: Capital IQ; 10 year performance to 24 September 2015

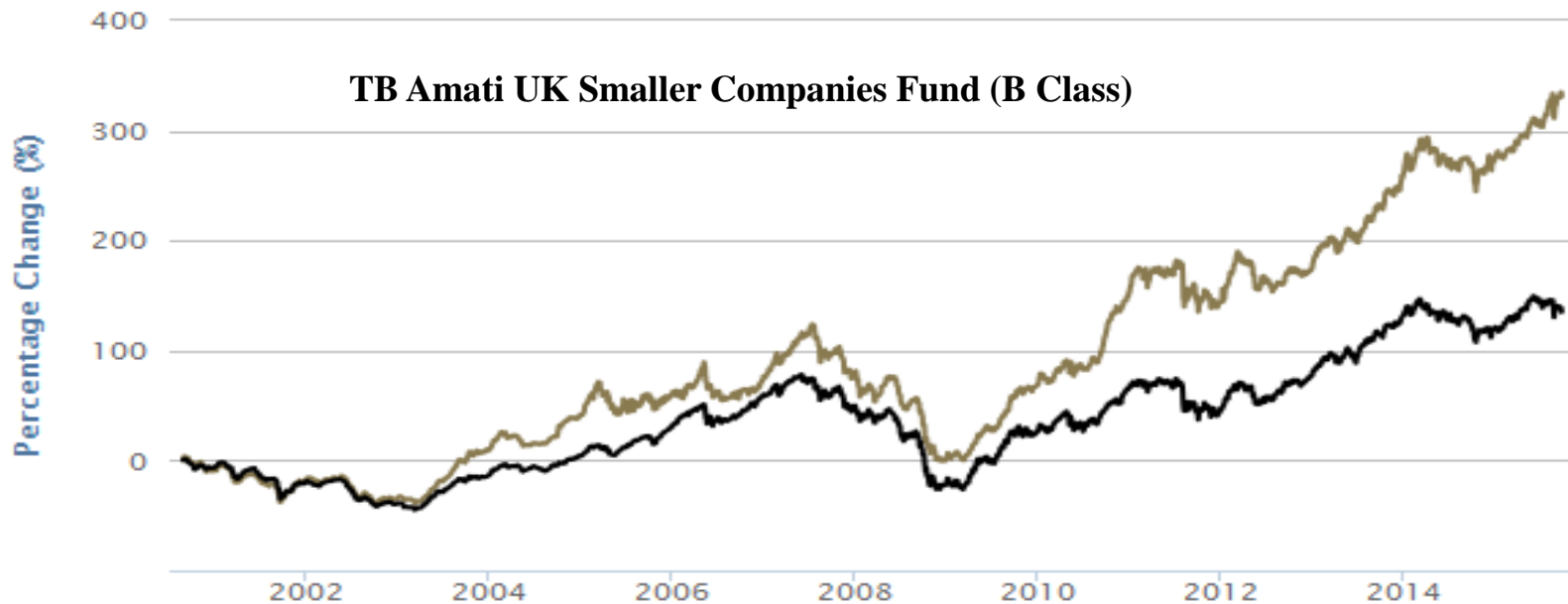
Life Cycle Category 6:



Zoo-Keepers Handbook:

	Pie in the Sky	Best thing since sliced bread	Better Faster Cheaper	Roll Outs	Hand-Me Downs	Me Too
Fish	0	0	0	1	1	X
Amphibians	0	0	2	3	3	X
Reptiles	X	X	X	X	X	X
Birds	1	3	10	9	9	X
Mammals	2	6	9	9	10	X

The Journey So Far . . .



— TB Amati UK Smaller Companies Total Return Index (B Class) since Paul Jourdan take-on in Sept 2000

— Numis Smaller Companies plus AIM Returns excl. inv. companies

Past performance is not a guide to future performance. Source: Amati Global Investors at 24 September 2015

Period	3 mths	6 mths	1 yr	3 yrs	5 yrs	10 yrs
Fund return %	3.31	10.18	12.63	62.33	120.75	179.58
Benchmark return %	-3.02	4.01	4.14	47.81	77.51	100.19
Average Sector return%	-0.58	7.27	9.21	62.21	108.91	139.66
Quartile Ranking	1	2	2	3	2	2

Source: Amati Global Investors as at 31 August 2015