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Quality Assets at Compelling Valuations

We are value investors.

Our name means a lot to us. We believe that value investing works because controlling quality assets at a discount to what they are worth earns attractive returns over time. This principle is the core of each investment decision we make.

Every security is a financial instrument that represents some type of claim against assets. It is the work of every value investor to understand what those assets are, what they are worth, and what price they are paying to control them when they buy a security.

We are value investors because we have conviction in the underlying logic of the approach. We have also had the benefit of testing this discipline through some extraordinary – and extraordinarily different – market periods.

Value investing is not always easy, and is not always in fashion. It is a straightforward proposition but it requires both a high level of expertise and steadfast discipline to use it adeptly in all sorts of economic and market climates.

At ValueWorks we have deployed this approach through periods of huge investor enthusiasm and euphoria, through periods of financial crisis and panic, and even through some moments of calm and investor ennui. Through it all, we have stayed with this discipline, and draw the simple conclusion that is in our name.

**Top Performing
Hedge Fund**
Equity Long-Bias - Past Three Years
Ranked by
Compound Annual Return
3 Years Ending Sep 2018

This fund was ranked based on the data
in BarclayHedge's Database of hedge
fund managers
([http://www.barclayhedge.com/products/single-
manager-hedge-funds.html](http://www.barclayhedge.com/products/single-manager-hedge-funds.html))

**ValueWorks Long-Biased
Strategy**
Equity Long-Bias
For the year of 2016
Ranked by Net Return

This fund was ranked based on the data
in Barclay Hedge's hedge fund database
([http://www.barclayhedge.com/products/best-
hedge-funds-database.html](http://www.barclayhedge.com/products/best-hedge-funds-database.html))



Philosophy

At ValueWorks we define value investing as buying the best-quality assets at the best possible prices. We like to think of ourselves as bargain hunters: it is our goal to pay only \$0.50 to \$0.75 for \$1.00 worth of assets. We evaluate the component parts of a company, assigning each of its assets a dollar value that, when added together, comprises the underlying value of the company; if this is higher than the company's stock price, we consider it an investment opportunity.

These principles are straightforward, but converting them into practice requires a sophisticated and consistent process. It entails extensive independent research, a high level of expertise—in appraising both assets and claims—and the discipline not to be led by emotions when market conditions are volatile.

Risk

Risk is best controlled in our process through knowledgeable security selection, reasonable diversification and steadfast discipline. Careful and diligent security selection can lower the chances that we simply make a mistake and mis-appraise the assets or liabilities; and it can limit the likelihood that something changes in an unexpected way to fundamentally alter the math. Diversification can limit the impact of a single mistake; it can also limit the impact of a company, sector or group going more out of favor and trading at a larger discount to the underlying value.

In periods where investor enthusiasm or despair drive overall valuation to particularly large premiums or discounts to underlying value, ValueWorks has found the best risk control to be discipline. Our experience has been that those larger disconnects, whether in a sector or the overall market, run

their course remarkably quickly; often during these events the emotional temptation is to move in a certain direction and it is discipline that keeps the portfolio on track for long term results.



On any given day, security prices reflect and react to many factors beyond the underlying value of a business. Such disparities between a security's price and a business's value are what we as value investors seek out. At ValueWorks once we identify this type of situation we then look for opportunities where the value of the underlying assets is growing, and where the disparity in valuation is expected to narrow. We do this by using a well-planned series of steps.

1. Identification

We often find investment opportunities where quality securities have fallen out of favor with the market. Whether or not we identify a security through this contrarian approach, we will always determine if a security is a promising prospect by submitting it to an abbreviated version of our process. If the security passes this initial test, we will then take an in-depth look at the company.

2. Assessment

When we value a company, we determine its ‘underlying value’ by identifying, analyzing and pricing its assets. We also determine whether the asset base is likely to increase in value over time. We will decide to invest in a company only if its assets are currently undervalued *and* appreciating.

3. Appraisal

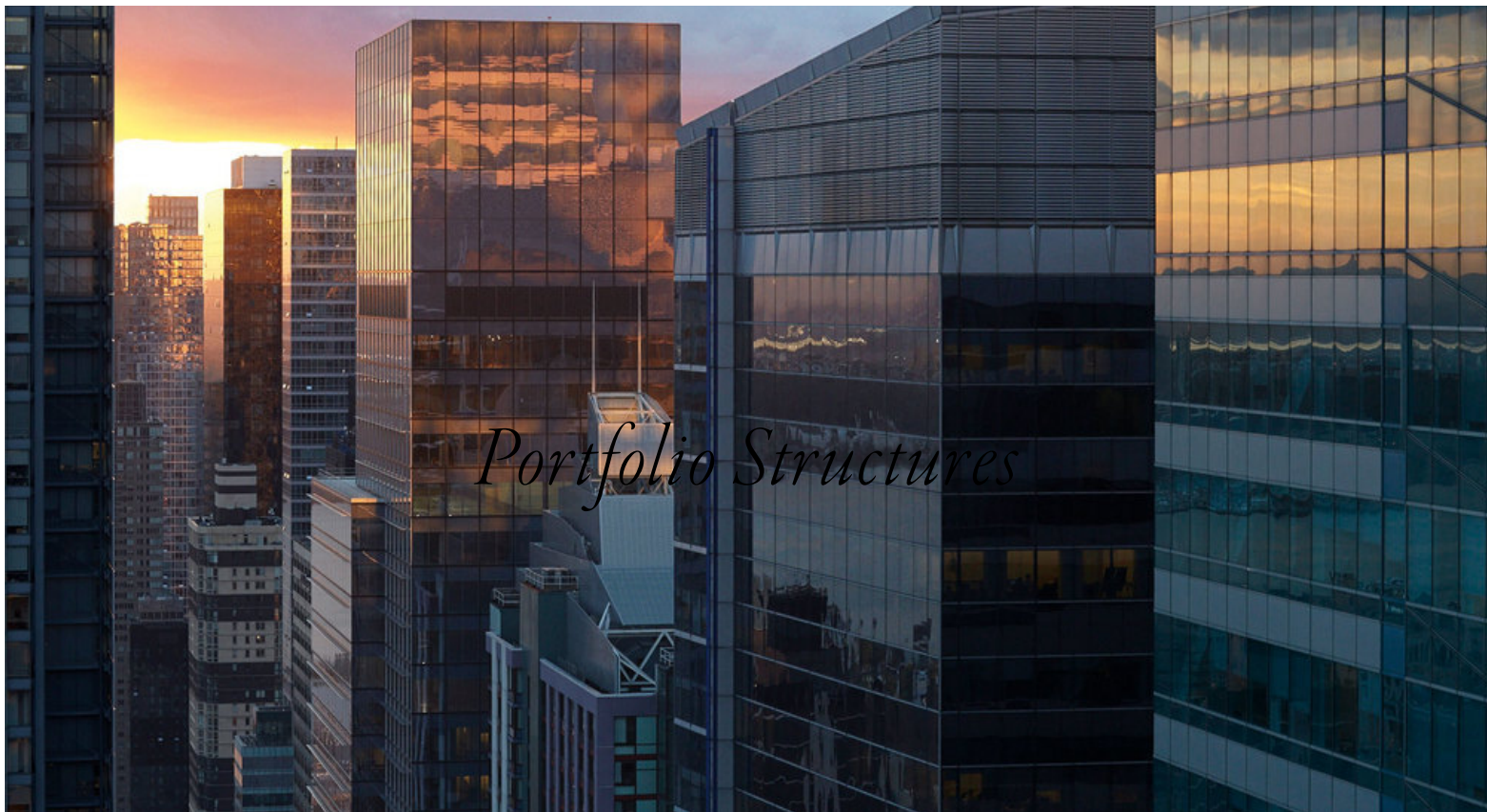
Once we determine that a security trades for less than the value of its assets, we identify the key factors that could eliminate this valuation gap and increase the security’s price. We then identify and value all the claims against the company’s assets. Only then can we evaluate the price required to control a particular instrument—and make either a positive or negative investment decision.

4. Re-evaluation

We monitor our portfolios to ensure that companies continue to exhibit the traits that originally made them good investments. We are also watchful so that changes in market conditions do not unexpectedly alter the merits of particular investments.

5. Exit

We sell securities when they have realized our estimate of their assets' value, or when new developments lead us to believe that part of our original conclusion to buy them is no longer valid.



We translate our value discipline into a number of different portfolio architectures designed to meet specific investor objectives. We manage individual portfolios that are each grouped into a composite of similar portfolios that employ a set of portfolio rules.

In every composite we seek to create diversification by building exposure to a large number of industries and sectors rather than by simply including a large number of individual companies. By our measure, there is more diversification in 25 securities spread among fifteen industries than 100 securities spread across five industries.

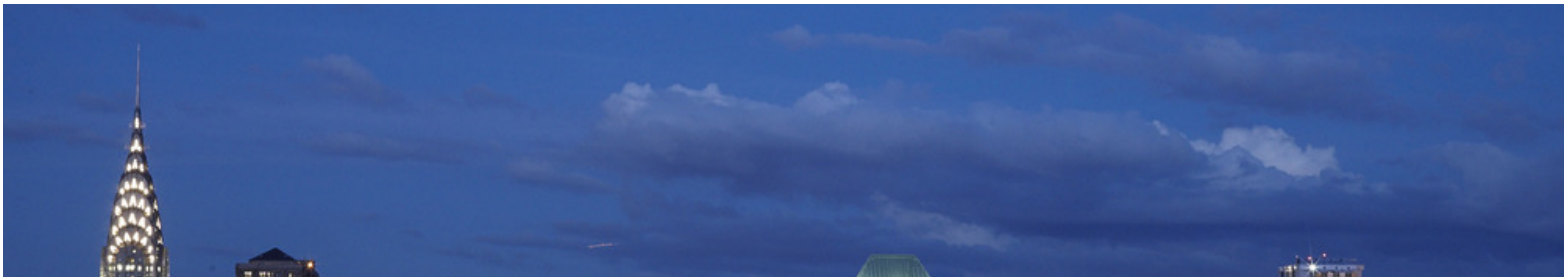
Then, for each group of accounts, we use different rules to build portfolios that fulfill particular investor objectives.

These composite rules guide the mix of asset classes (equities, high yield, investment grade debt), as well as market capitalization, position size, use of leverage, and short exposure.

Generally, we offer independent investment management in a Separately Managed Account (SMA) format. This structure provides transparency, flexibility, and the opportunity for customization. Other account formats are available for particular portfolio architectures—feel free to ask us about what is available and what is appropriate. (/contact)



The Team



Charles Lemonides, Founder



Charles founded ValueWorks with the goal to broaden availability of his conceptual value investing discipline in the retail and institutional investor communities. Charles leads investment research and portfolio management at ValueWorks and has final authority for all investment decisions.

Charles' philosophy of value investing was born at the regional brokerage Gruntal & Co. During his tenure in Gruntal's Research

Department beginning in 1986, Charles honed skills covering risk arbitrage, the banking industry, and special situations. He notably spearheaded the addition of high yield bonds and distressed securities to the department's coverage. In 1994, Charles joined Sterling Advisors, an investment advisory unit of Gruntal & Co.; he became Chief Investment Officer of Sterling the following year. In 1999 Charles merged this internal investment practice into the independent advisory firm M&R Capital. As Chief Investment Officer of M&R Charles began branding the composites he brought over from Sterling under a ValueWorks banner, laying the ground for establishing ValueWorks as a fully independent firm in October of 2001.

Charles received his Bachelor's degree in History from Vassar College and pursued graduate studies in Economics at New York University. He received his CFA designation in 1989 and is a member of the New York Society of Security Analysts. Charles has been featured in prominent print and broadcast financial media throughout his career. Charles is a lifelong New Yorker and an avid traveler. The only place he finds more engaging than NYC is the place on the map he is visiting next.

Steve Zell, Chief Operating Officer



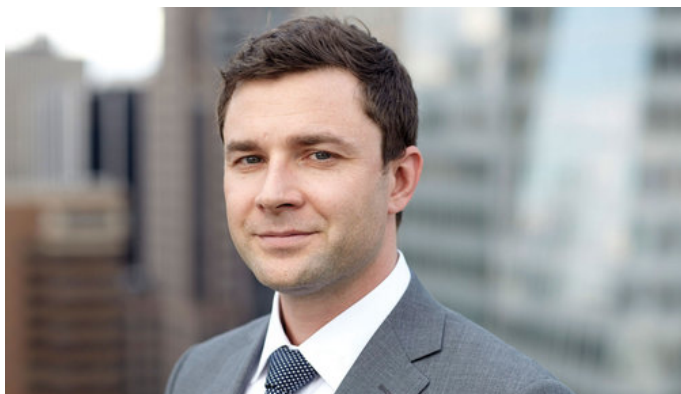
Steve is responsible for the day to day management of the firm; he oversees marketing and account management and is active in the security selection and compliance processes.

Prior to joining ValueWorks, Steve was the VP of Operations at Xceed Inc, an internet consulting firm. During his tenure there, Xceed had an international presence with over 1,000 employees. Steve managed a team

of 35 people responsible for understanding and monitoring corporate efficiency, streamlining processes and controlling costs—business experience that he uses in his ValueWorks responsibilities and in the security analysis he contributes to.

In 2008 Steve earned an MBA at NYU's Stern School of Business; while living abroad from 1995 – '99 he earned his LLB from City University in London, England. Steve received Bachelor's degrees in Philosophy and the History of Mathematics from St John's College, Santa Fe, NM. Steve lives in Brooklyn NY with his wife and two children, but he can often be found exploring the area around Bozeman MT.

Eric Lilly, Director of Research and Trading



Eric is responsible for much of the research and analysis that underpins the investment decisions made at ValueWorks. He works closely with the CIO on all investments made and structure of the portfolios we manage.



Before joining ValueWorks, Eric was a research analyst at the IU Foundation, a \$5.6 billion fund dedicated to maximizing

resources for Indiana University. Prior to this, Eric was an analyst at Artist Capital, a hedge fund advisory firm focused on the distribution and asset management of alternative managers. In 2007 he earned his MBA with a major in Finance and minors in Accounting and Entrepreneurship from the Kelley School of Business at Indiana University in Bloomington, IN. Eric received his Bachelor's degree from Indiana University in 2000.

Eric D. Tucker, Director, Business Development



Eric is responsible for growing ValueWorks' exposure with financial professionals and the firms they work for. Before joining ValueWorks, Eric was a Senior Analyst at Goldman Sachs & Co. responsible for oversight functions in the Global Control Department. Prior to this, he ran his own international business and economic development consulting practice focusing primarily on East Asia. Earlier, Eric worked

in international research and consulting in various capacities in both the public and private sectors.

Eric graduated from Columbia University's School of International and Public Affairs with a Master's Degree in International Affairs. He received his Bachelor's degree from the University of Massachusetts at Amherst. Eric was a Fulbright Scholar in Japan and Southeast Asia and resided in Asia for over four years. He is conversant in Mandarin Chinese.

Jeff Beary, Vice President





Jeff joined ValueWorks early 2011 to help build relationships with investment professionals. Jeff has roughly 20 years of financial markets experience, most of it spent building managed account programs, evaluating money managers and deepening relationships with investment advisors who use professional money managers.

Before partnering with ValueWorks, Jeff teamed up with a 40 year seasoned veteran from Third Avenue Value to build two managed money programs in the Southeast. One at National Bank of Commerce beginning in 1999 and the other at Sterne Agee & Leach beginning in 2007.

Jeff got his start in the investment management business in 1993 with then Dain Bosworth, now RBC Wealth Management, as an analyst in their managed money department performing manager searches, due diligence and manager comparisons. Over the course of seven years, Jeff wore many hats, including head of research and due diligence, and helping advisors convert their books from transaction based to fee based consulting practices.

Jeff received his bachelor's degree in Economics and Statistics from the University of Minnesota. He resided in Thailand for two years doing volunteer work and is conversant in Thai.

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[FORMS AND MATERIALS \(/FORMS-AND-MATERIALS-CONTENT\)](#)

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