

CSS STRATEGISE “VALUE” FACTSHEET



COLLINS SARRI STATHAM
INVESTMENTS

VALUE STRATEGY

Collins Sarri Statham
Investments Ltd

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VALUE OBJECTIVE:

To pursue capital growth by investing in “value” opportunities and “value” situations.

Please refer to the CSS Strategise Brochure for further details.

Key Risk Factors

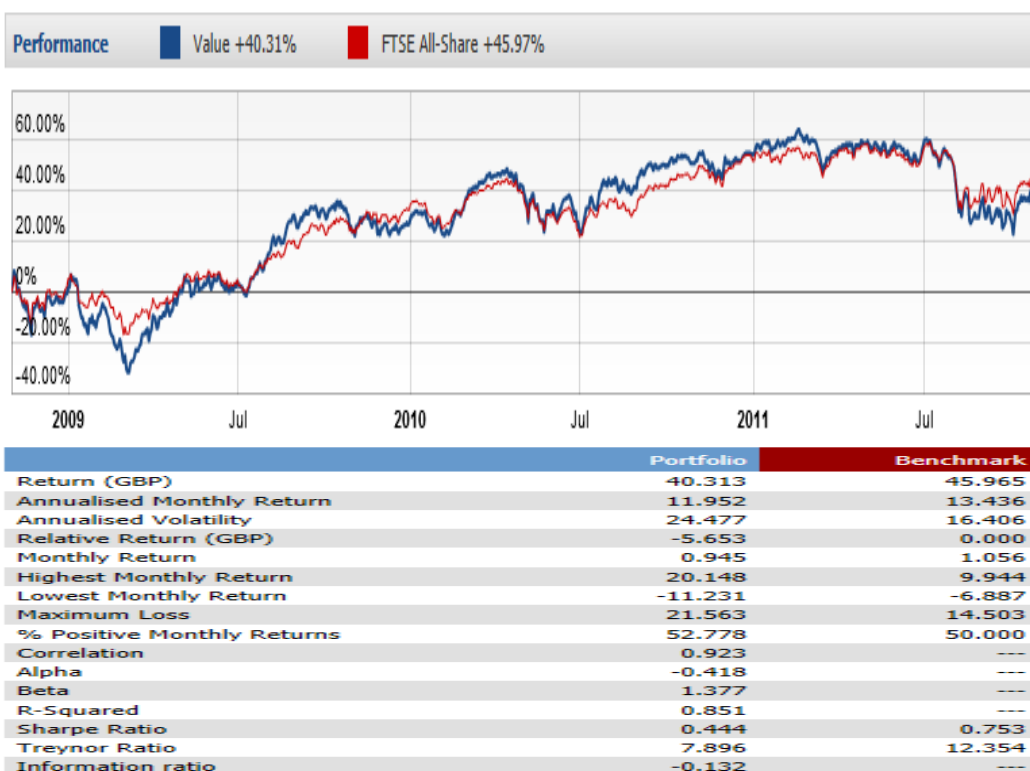
1. The “value” approach tends to identify low growth companies.
2. Companies might be wrongly considered to be “value” situations due to off balance sheet liabilities.
3. The realisation of “value” pre-supposes that the value can be realised by the current board of directors within a predictable timeframe.
4. Please note that these figures are based on gross performance and do not include commissions, compliance charges or other costs. Please contact us for further information on our fees and charges.
5. The figures and performance charts refer to simulated past performance which is not a reliable indicator of future performance.

CSS Strategise “value” strategy:-

The value strategy consists of a portfolio of equity investments that share certain characteristics. Specifically these criteria are a) discount to book value, b) on a trailing P/E of under 11x and c) a Beta between 0.6x and 1.3x. For a company to be selected on value grounds they would fulfil at least two of these criteria. The approach will tend to find low multiple companies trading at a discount to inherent value due to a temporary factor(s).

Value statistics simulation

Using a hypothetical simulation, the performance of the Strategise “value” recommendations (modelled on a £100k portfolio with 10 equally weighted recommendations) was performance monitored from 31st October 2008 to 31st October 2011. The investment performance of the selected value recommendations delivered a return of 40.31% with a daily estimated “value at risk” of 2.1% underperforming the FTSE All Share benchmark return of 45.965%. The performance is adjusted to take into account dividend and capital distributions which for the purposes of performance measurement are assumed to remain in the account.



Source(s): Statpro plc

CONCLUSION

Our simulation of the CSS Strategise “value” strategy identifies the following characteristics:-

- * A portfolio Beta of 1.377x i.e. well above the level of normal market risk.
- * Three year return of 40.313%.
- * A Sharpe ratio (risk adjusted measurement of return) of 0.444.
- * Monthly return in a range of 20.14% to -11.231%.
- * The value approach underperformed the benchmark FTSE All Share by 5.652% - we attribute this factor to the weak performance of UK property shares during this period. The “value” fund was heavily weighted in favour of property related investments.

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Definitions:

Correlation: A statistical measure that measures how investments move in relation to each other. For example if the correlation was 0 the two investments would move independently of each other. Typically correlation measurements are between -1 (opposite direction) to 1 (moves in lock step with each other).

Alpha: broadly the degree of outperformance from a given benchmark. For example if the investment rises 10% and the benchmark return is 5% it would have an alpha of 5%.

Beta: broadly the sensitivity of the investment to the movement in the market i.e. if the investment had a ratio of 1 it would move the same as the market. Beta measures in covariance of the returns of the asset in respect of the portfolio to the variance of the portfolio.

R-Squared: the percentage of the asset's movement attributable to the movement of the market.

Sharpe ratio: excess return per unit of risk i.e. Expected returns ("R") less the risk free (Rf) rate divided by the standard deviation of returns (σ).

Treynor ratio: returns in excess of risk free return ($R_i - R_f$) divided by market risk (B_i); i.e. risk adjusted returns per unit of market risk.

Information ratio: measures the risk adjusted return divided by the standard deviation of returns