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This document is a transcript of Mr. Thomas Russo's Q&A session after his presentation to Professor George Athanassakos' Value Investing Classes.

You gave an interview, recently, about Mr. Buffet and said that Mr. Buffet is going to be able to put tremendous amounts of cash to work -- possibly soon. So, what do you think he's going to do?

What I wanted to make sure people don't forget is that you never really anticipate where the next pitfall will come from, and there will be a time in the unravelling of our investment world. We have had extraordinary investment returns over the past 6 or 7 years, and they are all built upon this very low interest rate base we have enjoyed, and we are going away from that now. It is not at all clear why things should be presumed to be smooth sailing going forward. But, when people project fear over Warren's ability to deploy that capital, I think they mistakenly view that the world will be a pretty steady place: that has not been the case in history. For Warren to have all that cash available, at some point and time I am sure it will be valuable, I just can't tell when or what will be the catalyst.

Is Buffett still making the decisions? Or has he passed decisions to the others like Jain and Abel?

Well clearly, with billions of dollars in newfangled businesses like Apple, I suspect he's itching to buy Amazon and has entered into a partnership with Jeff Bezos -- the big healthcare partnership. He speaks highly of Bezos and he recognizes the grip that that company has on retail. Witness the fact that he sold his enormous position, maybe 6 Billion Dollars worth of Walmart, not that long after the annual meeting last year, during which he praised Bezos. But there are long standing areas that both Ted [Combs] and Todd [Wechsler] had worked on for a long time that relate to Apple and other businesses that are more technological, and if Warren is going to invest serious and large amounts of money in those, the support is going to come from the two people who have spent a lot more time with technology. But I do think that he is elephant hunting, no question about it, and if he were to find a traditional company that had a need to partner with him, the best answer for that and what Berkshire is going to need to continue to succeed is what Larry Cunningham talks about in *Berkshire Beyond Buffet*. Where he talks about Berkshire being a place for people with the best businesses in the world, who if they need to sell, will naturally be inclined to come because he provides an ecosystem where great businesses are allowed to continue unchanged. The alternative is Private Equity, and the moment you sell to Private Equity they are beginning the sales process to take it public or to sell it. Berkshire offers a tremendous home for great businesses, and those businesses, I suspect, would be more like the ones that Warren would be the one to welcome them in. But the FANGs [Facebook, Amazon, Netflix, and Google] and whatever involvement Berkshire is going to have in that area of technology, I would suspect is a younger man's game.

You have previously spoken about the "capacity to suffer". How do you identify management being exuberant with the cash they gain from operations?

That is a very good question. I think an example would be a company I owned a long time ago. It did really well for a long time and then it got troubled. It was called International Speedway and they owned Nascar. Nascar is a southern thing and people drive cars really fast, drink beer and smoke cigarettes. It is absolutely revered. International Speedway came public and has cross shareholdings with Nascar, the sponsoring body. The France family owned all of Nascar and a controlling interest in Speedway, and we invested in Speedway and it grew across the regions and it grew profitably because they were opening up new markets and creating new venues, and they owned the rights to the tickets and everything else there. They spun a lot back up to the parent. It turns out they exceeded the natural market but it didn't mean that the parent, which was the France family, didn't still want to pressure the public company to make big investments because the family profited. So it got to the point where they were trying to put a half a billion dollar speedway on Staten Island on a toxic waste dump, and that was such a bad misapplication of cash flow. We sold our shares in the company and never looked back because what became apparent was that there are different levels at which the family would personally profit by focusing on only growing the category; even if it led to low returns on the public company, they would still make money. It is a lot like the Coco Cola bottlers have a conflict with Coke the concentrate. If that business had found itself into Berkshire for example, the perfect solution -- and this is what makes Berkshire so powerful -- is that if you don't have something to use the money for, send it up to Berkshire. If you are one of those divisions within Berkshire, you are not forced to spend money and if you can pencil out a good return there is an abundant limitless amount of money to spend. Most companies that aren't as thoughtful as Berkshire, they end up with things like that International Speedway situation, and then we simply have to sell the stock when they are making really dumb cash re-deployment.

How do you as an Investor decide that the capital reinvestment is in the right project? Most of the time we only get to know in hindsight that the project was not successful. One of the markers I think is for example that a company like Philip Morris is willing to disrupt its own mainline of products with a product before competitors come in.

Well obviously, regarding the early days of this European-based portfolio: where it became exciting to me was when they realized they could take their free cash flow from the mature West where they really couldn't effectively deploy it, and that's not entirely true. For example, Heineken over the past 20 years has closed 45 different businesses, buildings and structures in Europe as the unified market allowed them to put warehouses in more appropriate spots, and everything was done jurisdictionally. But over the past 20 years Heineken has had a huge return on the investment they have made, smoothing that footprint and making it more effective. We have been able to track those investments through our conversations with the company, and they are very open about it. The benefit of it is higher than the market believed it would be. But the best investments are the ones that are like the Nestles rolling out a new product in a market that's ready for it and doing it at scale, so that if they spark the interest, nobody else will get to take the business. That way they get first movers advantage and we like that.

How do you choose an appropriate discount rate? If you're using a long-term bond yield, do you use rates where they are at right now? They could raise capital in several countries, how do you think about that when discounting cash flows?

Well its extremely difficult because you're borrowing in different currencies with different maturities for multiple projects. Buffet has always said that he sticks at, I think 7%. As interest rates go below that, I don't follow those downwards because they give us ridiculous valuations and they are probably not to be relied upon. But we live in a time where there is so much financial distress that has been masked over by low interest rate, that we take for granted these low rates and I don't trust them. There is the reality that a recovery in the US has come massively at the expense of elderly savers, who would've planned their lives for retirement with a 100,000 8% CD, and it's rolled over since 2010 at half of 1 percent! I think the pressure on interest rates will keep you better off by not following the current rates as low as they've gone.

How do you manage your own behaviour and the behaviour of your unit holders, especially when things are difficult, such as 2001 or 2008?

We went on Safari, but that was not very useful because I was on the phone the entire time! I think you need to be clear with your investors from the start that you are in it for the longest term, and there will be a lot of moments along the way. You can make moves during periods of great stress which may improve the forward-looking components of your portfolio. If something's prospects diminish because of the swirl you refer to, you are probably well served to make some moves -- and we do that, either on a small or large scale. We were talking before this meeting about how you have the right investors. For me typically what I have done is that I manage a very small portion of my clients' funds, and so I am not of the emotional awareness that makes them so frightened that they literally have to sell when things are down. I don't give them the benefit of the discipline that investors try to do but when investors panicked, there is very little you can do to stop them from making moves that will harm them long term. As a money manager if you have that risk, your other clients will suffer as well because you'll be forced to sell things they already own.

Coming out of undergrad, was this what you expected to do? And what are some things you wish you had known earlier in your career?

I had people in my family who were investors and had an interesting balance. Maybe I wouldn't have spent the extra years in law school because I did spend 4 years in graduate school, but I also do believe the legal perspective adds a lot of understanding many of the factors that are quite important in our investment universe. So, I don't begrudge the legal stuff. I would maybe be a bit more open minded on the earliest days of the FANG. I'd like to bring to everyone's attention: there's nobody that's who has had a better capacity to suffer than Jeff Bezos. In history there has nobody who has been allowed to lose more money on a regular basis by shareholders, who give him the capacity. Nobody has been able to build a stronger franchise than him due to that. I probably should have been earlier and more thoughtful on that, but I simply took the cue from everybody else who said "I don't do technology". That was probably a mistake. I could have figured out some aspects of it where it really just is a story about massively focused on consumer utility activities, with which he has done an excellent job. Mind you, all the FANGs have controlling shareholders. So if they want to invest at deep losses to develop Amazon Web Services or Cloud Services, they won't lose control of the company. That was a big powerful benefit and I didn't invest behind that.

I ran through your portfolio and you appear to buy the entire industries. For example, in the cigarette business, you bought a number of major players. What is the benefit of buying the whole industry?

One of the things about these industries is that they tend to have this extraordinary relationship with the consumer where they develop brand loyalty and the consumer doesn't believe there is an equal substitute. One of the consumers feel that way about Jameson's Irish whiskey, another one feels that way about Johnny Walker Black Label (which has a tremendous following in India). It's a privilege to have the opportunity to deploy capital across those different companies because each one of them, due to their exposures, geographies and brands, come back to us with a different blend of returns. For example, if all of them were just one company, it would be a completely different investment than what we have right now. Each one of those has a unique mix, portfolio and capital structure, and I am delighted to have a chance to own multiple expressions of the same businesses. I in fact have to hold myself back from buying more spirits companies.

Could you run us through an investment that met your criteria for price, quality and had all the hallmarks of a great investment that didn't pan out quite as expected?

What do you think you may have overlooked in hindsight?

It is the International Speedway story. What I missed was that in that particular business, the family control was a negative. Heineken had a “No and Yes and Yes and No”, whereas in the case of International Speedway it was “Yes, Yes, Yes, Yes”. We just wanted to keep pushing money out into the creation of new tracks, and the family controlled that decision making. So the public company was pouring money into structures that kicked back royalties to the sponsoring body, which was owned by the family. I think there was a lot more inherent pressure there. With H&R Block, we they mis-invested their cash flows badly, and they bought into enormous amounts of trouble; we eventually sold their shares. What I missed there to begin with was the lack of international investment opportunities made them landlocked, and made them take second and third best choices. They couldn’t do what would be very natural, which is roll that product out around the world because nobody else has our tax code.

What was an investment you were looking into very seriously but didn’t end up purchasing?

I’d probably just go straight back to Google. They have entertainment, they have advertising, they have leadership in search, etc. They have control over their destiny and therefore are able to do what they choose to regardless of sacrifices to profitability. I didn’t invest in them early on because of rumbling of threats and actual filings of lawsuits against them throughout Europe for antitrade practices. I thought they would get hung up to that but the businesses has just grown mightily. It’s still a pretty powerful business but it has just grown a lot since we spent time with it.

Some Value Investors say that tech stocks and value stocks are inherently two different things and don’t overlap. What would you say to the critics that argue that value stocks can’t be tech stocks and vice versa?

I think my mistake has been to understand what the actual product is. Amazon was one of those businesses where I and a lot of other people who just said “I don’t do technology. I don’t understand it, and it’s just too fleeting”. It turns out that he does an Amazon cloud service business and suddenly that’s a huge subscription business. It has very little to do with driven primary technology, and just has to do with server farms, capital deployment and operational logistics. So it’s not deep technology, other than the data analytics, which are hugely important for the consumer business. I think the technology that they deploy gives them a huge competitive advantage but I don’t think they are leaders in technology. They ask the right question and use technology to answer it.

When you’re dealing with companies that are heavily controlled by families, how do you see the risk of management succession and the importance of good succession planning?

It is handled differently by our portfolio companies. In Heineken’s case, Freddy Heineken -- and this is the dynamic view that I find appealing -- was asked in 1986 why does he still work so hard. He points to this little kid playing in a sandbox and says that “I work so hard so that *his* grandchildren will be rich”. That dynastic kind of view is what we like to align with. That young boy now is 35 years old and his name is Alexander. He could’ve gotten into the company, but he instead went to Lion Capital where he bought Weetabix from me. He spent 5 years in the private equity world, specifically in the consumer sector. He has developed a whole toolkit, but he is not going to go operate the company because the observation there is that even if he was as good as he could’ve been, the mandate that he would get would be questioned as to whether it was blood rather than ability. At the same time, the family would worry that if he rose up the ranks and wasn’t actually that good, he would never fire himself. So the family sort of encouraged him not to enter the Frye and instead serve on the executive committee, at which point all of his talents such as looking at businesses can be applied towards thinking about Heineken strategically. Alexander Richard by contrast, when his uncle died prematurely, became CEO and will probably do so for 30-40 years if health permits because that’s part of the history of the Richard family. They have a family patriarch who is the operating CEO and he is certainly talented enough to carry the mantle. In Brown Forman’s situation, which is a business we have owned for a long time, there are no members of Brown family operating the company at the moment and in fact they have had an anti-nepotism rule for a long time. So it clearly varies but in each case there’s a huge effort that the family counsels get the family members together frequently to create a kinship and an artificial continuity with each other because as people scatter around the world, there is not the natural affinity towards shared outcomes that would have happened historically. All those companies have very active efforts underway such as family symposiums where they can reflect on their shared destiny.

Here at Ivey we have the opportunity to do a Dual Degree program. What benefits have you seen multidisciplinary programs having?

Well for you it is the same as me, you get to spend two more years at this beautiful place and hang out with smart people. There is a huge value in having a variety of different areas you are familiar with. What is the nature of your program? [computer science]. I would think that would be valuable in any of the areas you would end up in as an MBA. I just met with the head of Brown Forman’s international business last week and I was talking about somebody who wanted to interview there. He said “What I really want are MBAs with computer science skills”. So if you want to go work for Brown Forman selling Jack Daniels around the world, let me know and do that second degree. His point is that we actually need that extra set of tools to either manage the process or involve themselves directly. But it’s the blend between trained fully as an MBA plus having deep computer skills is what they found intriguing.

At the end of your most recent Letter to Investors, you highlight some of your favourite Charlie Munger epigrams, including **"**a stock does not know that you own it," a comment he makes to caution against commitment bias and emotional attachment. What is your most significant personal bias as a value investor? What kind of processes do you have in place to counteract this and other biases?

Well it's clearly commitment bias. I basically worship at the alter of these companies every minute of my waking hour. I know it to be the case that as long as I don't own something everything I read about it affirms my decision not to own it. The moment I own even a single share, on behalf of a client, the next eternity I will read everything to try to justify to buy more of it. It's just amazing but it's true of me. So then the question becomes how do I seal against that outcome. If the bias becomes harmful because the business has become overvalued, or they operate poorly but I am blind to the performance, then I have people I work with that say "Tom wake up, you're missing out on the fact that these guys who work at Heineken don't show up to work anymore" or whatever the observation might be. But I really do have, what I believe, is a very healthy case of commitment bias. Now I'm going to spoil that answer a bit. Because the field of behavioral finance would love for me not to have any bias whatsoever and most of the issues that surface in the field of behavioural finance become ever more important the shorter your time horizon is. Its things like the earnings reactions, if there's earnings you think is coming at the end of the week and there are all sorts of steps that investors take that are really only important if your time frame is near-term. But to have commitment bias on a business you're going to hold for 40 years is probably going to be a bit different. It just seems to me that you should be consistent with a business as if you owned it yourself. The trouble in the world of Wall Street, you might think, is that it's a negative to have commitment bias. If you owned Heineken yourself, you'd probably go around the world just to show how happy you were. In Wall Street that means you have commitment bias and you can't make an honest trade. If you're going to hold it for 40 years and you want to celebrate it (which is what we do), you can get a return from that. Particularly for us, when we end up intruding on the company and say "by the way you should spend even more, don't worry about Wall Street, spend more because we want to make more later on". So if you're going to have some kind of an ongoing dialogue with the businesses management and what you're trying to do is to extract an even bigger commitment for more investments later, I don't think commitment bias in that world would be a particularly dangerous consequence, nor would it be if you owned the company 100% yourself.