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“A MAJOR CAUSE OF HIGHER PRICES is higher prices; but when the trend is reversed, then lower prices lead to still lower prices. To buy when others are despondently selling and to sell when others are avidly buying requires the greatest fortitude and pays the greatest ultimate rewards.”

Sir John Templeton

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“Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy and the time of maximum optimism is the best time to sell.”

Sir John Templeton



***“AN INVESTOR WHO HAS ALL
THE ANSWERS doesn’t even
understand the questions.”***

Sir John Templeton



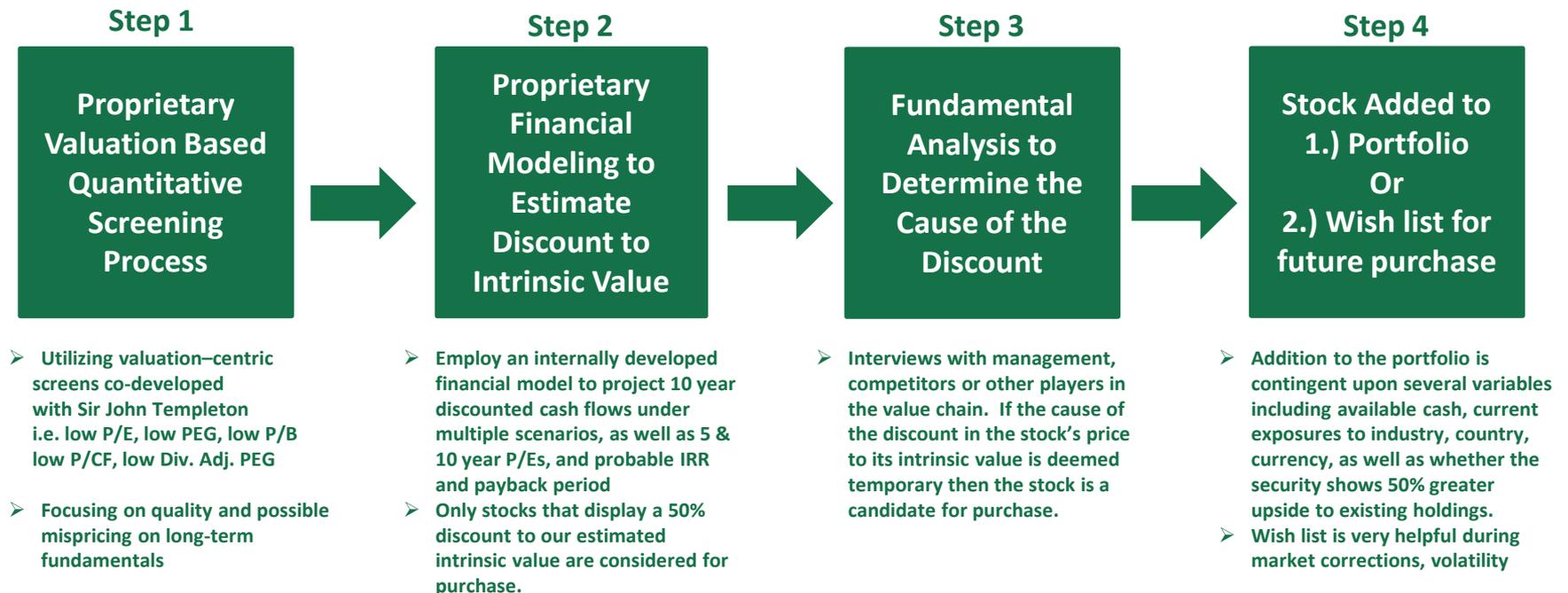
“If you want to have a better performance than the crowd, you must do things differently from the crowd.”

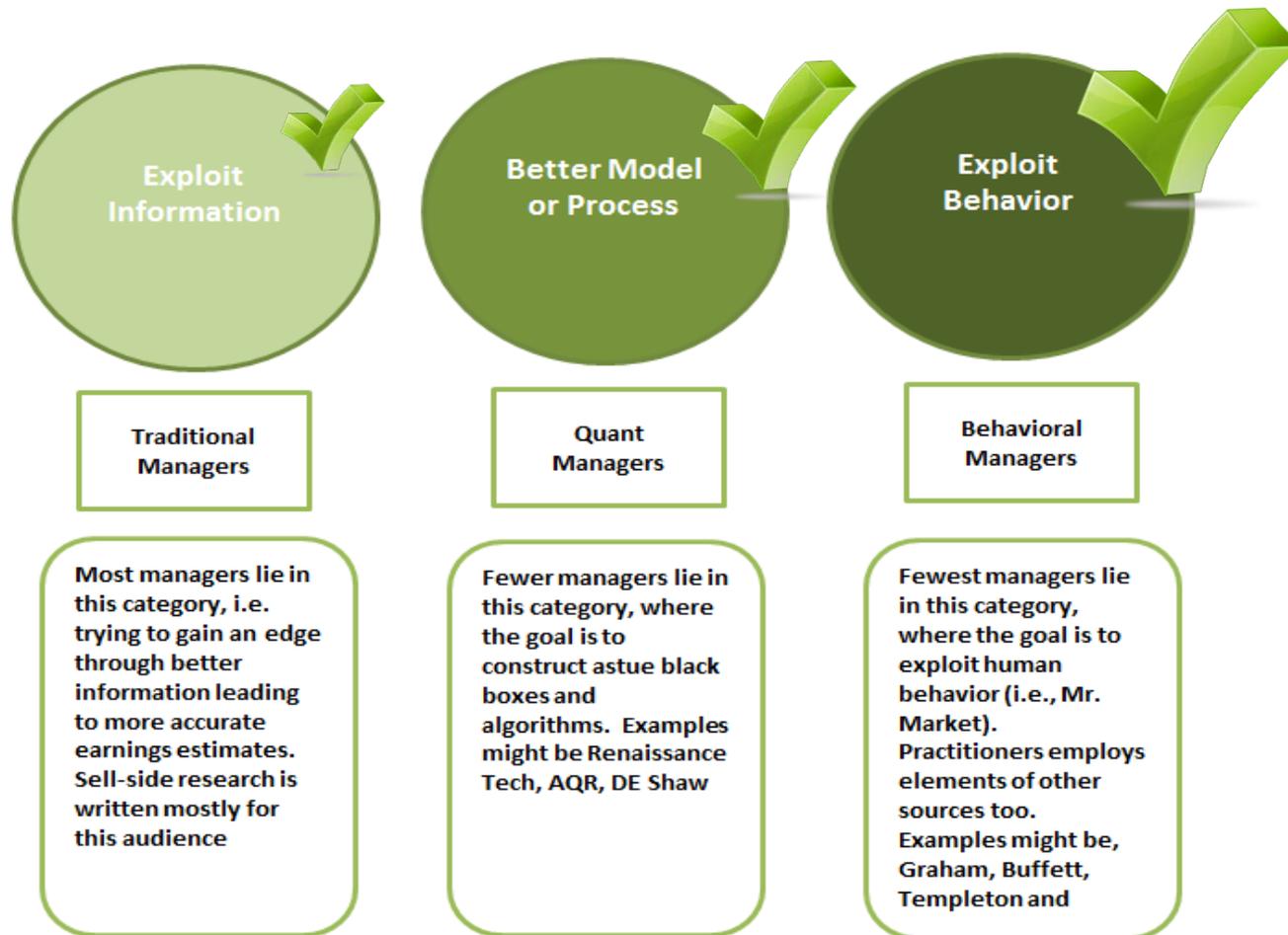
Sir John Templeton



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The firm adheres closely to an investment process that it learned and refined from its seed investor, Sir John Templeton. The process is employed in a methodical fashion but is also flexible in its implementation in order to be opportunistic and take advantage of market volatility resulting from panics, crises and negative events.





Source: Behavioral Finance and Sources of Alpha, Russell J. Fuller

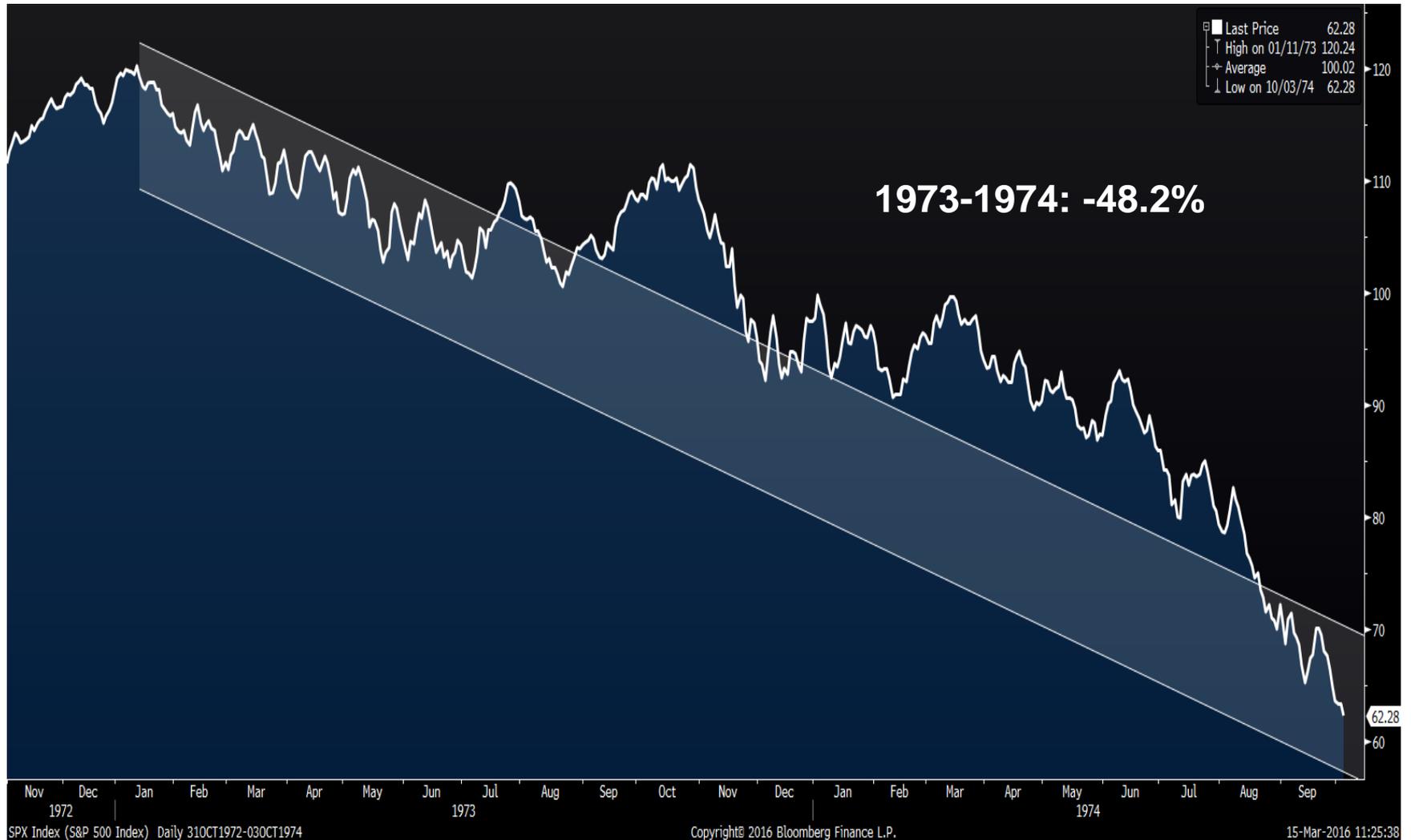
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The Stock Market Crash of the Great Depression



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1970s Bear Market



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1987 Black Monday



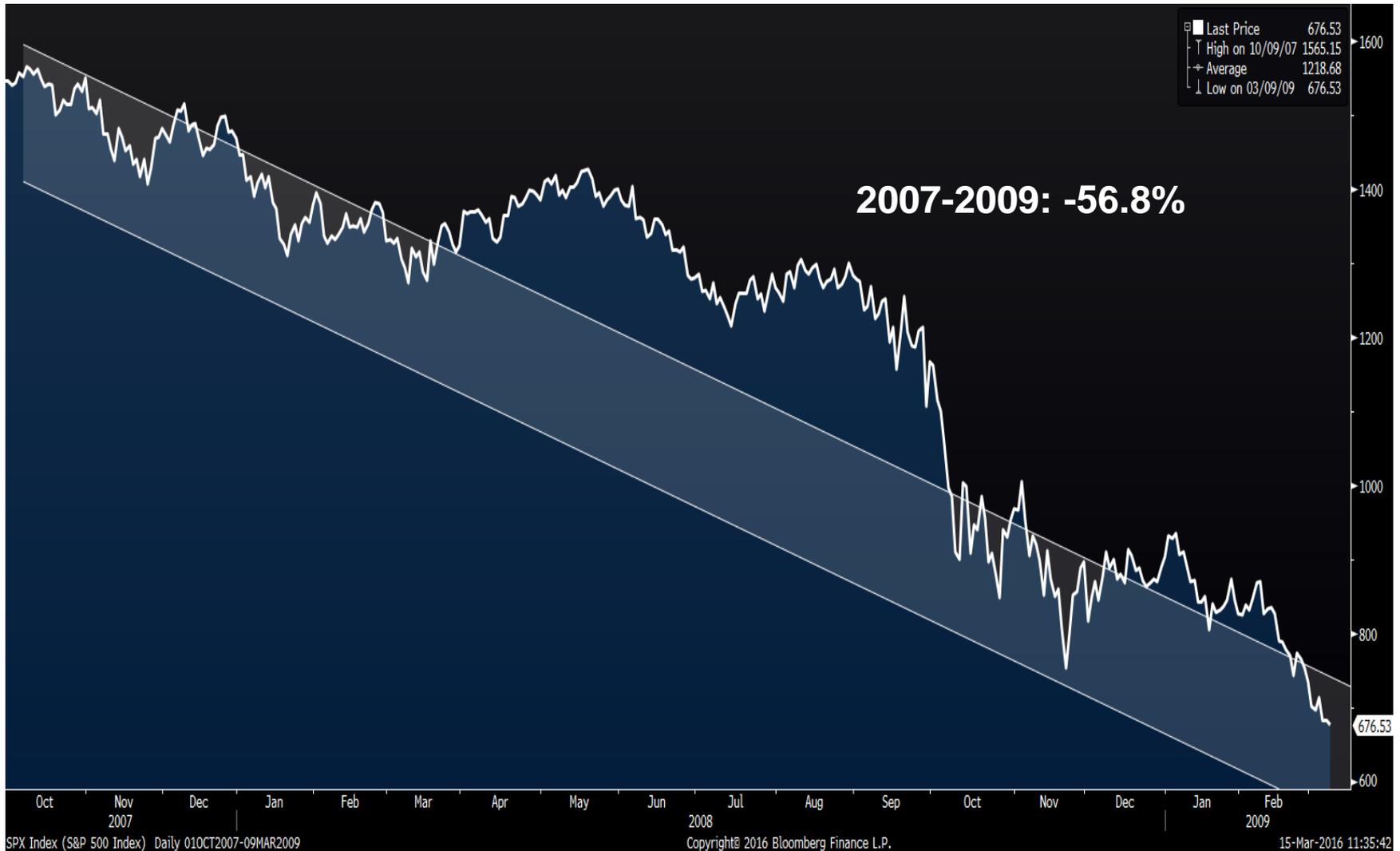
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The Dotcom Bubble Crash



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2008 Financial Crisis



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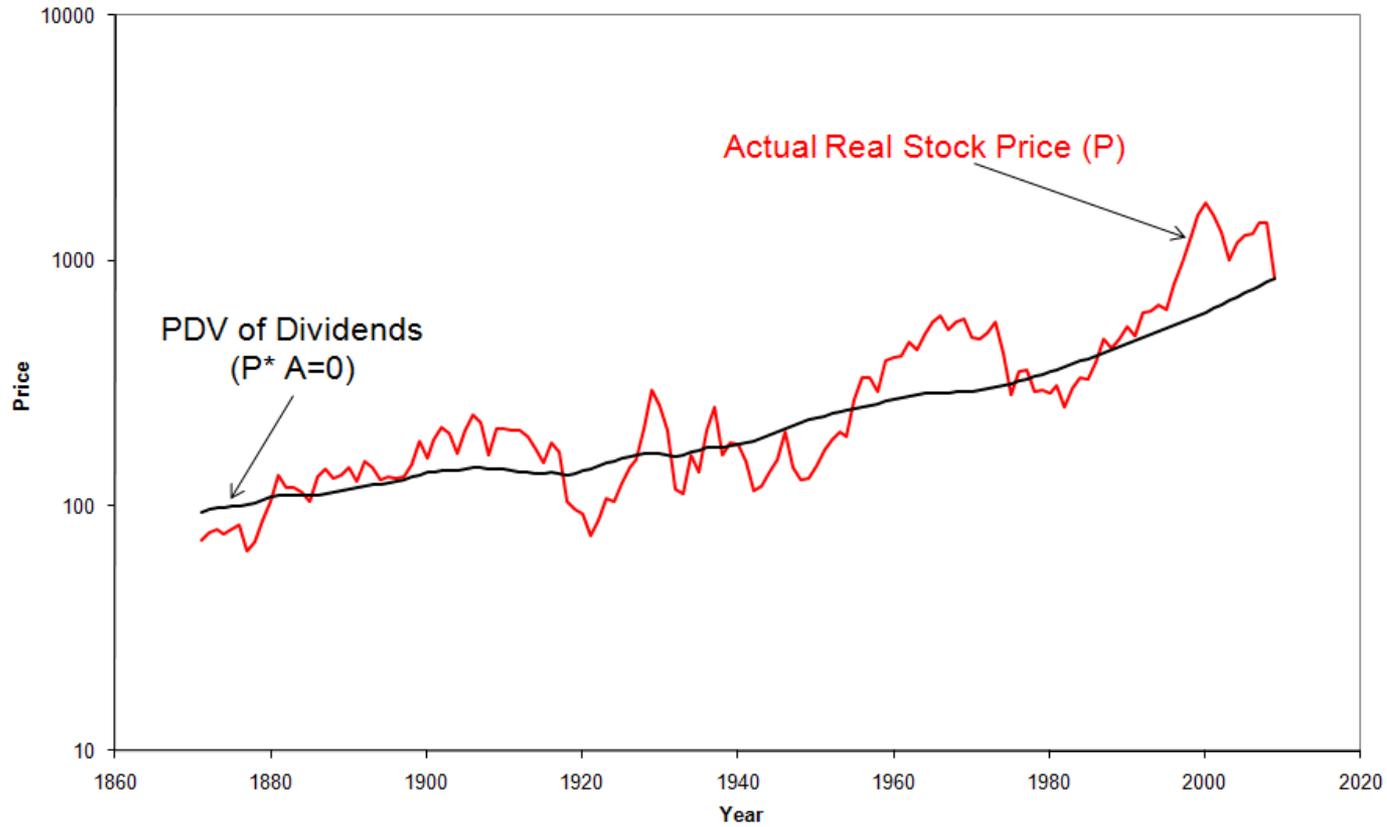
Trouble is Opportunity

- **Attack on Pearl Harbor (1941)**
- **Korean War (1950)**
- **President Eisenhower's Heart Attack (1955)**
- **Blue Monday (1962)**
- **Cuban Missile Crisis (1962)**
- **President Kennedy Assassination (1963)**
- **Black Monday 1987 Crash**
- **United Airlines LBO Failure (1989)**
- **Persian Gulf War (1990)**
- **Tequila Crisis (1994)**
- **Asian Financial Crisis (1997-98)**
- **September 11 (2001)**
- **Financial Crisis 2008-2009**
- **Flash Crash (2010)**
- **European Debt Crisis (2010 - 2011)**

Homo Economicus



Comparing Actual Real Stock Price with Present Value of Dividends



Source: Robert Shiller

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Behavioral Finance

- **Behavioral finance is a relatively new field that seeks to combine behavioral and cognitive psychological theory with conventional economics and finance to provide explanations for why people make irrational financial decisions.**

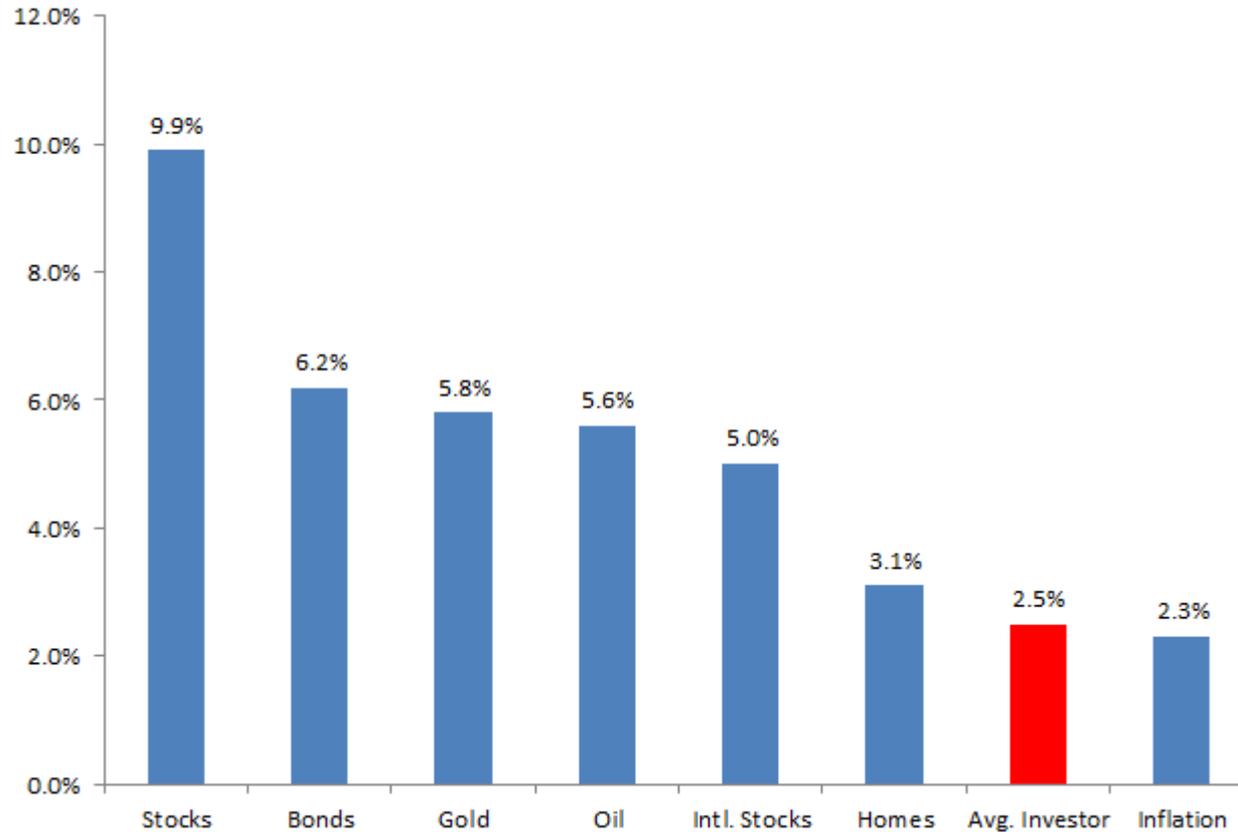
Fig. 1: Stock market development 1992–2007

Clever people make severe investment errors



Source: UBS WMR, A. Hinder (2005) as of June 2008

20 Year Annualized Returns by Asset (1995-2014)



Sources: Blackrock, Bloomberg, Informa, Dalbar

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15 Personal Attributes – The Templeton Touch

1. **Self Reliance**
2. **Reasonable Risk Taking**
3. **Sense of Stewardship**
4. **A Drive towards Diversity**
5. **Bargain Hunting Mentality**
6. **Broad Social and Political Awareness**
7. **Flexibility**
8. **Devote Large Amounts of Time to Study**
9. **An Ability to Retreat from Daily Pressures**
10. **Develop an Extensive Friendship Network**
11. **Patience**
12. **Thought Control**
13. **Positive Thinking**
14. **Simplicity**
15. **Great Intuitive Powers**

Study

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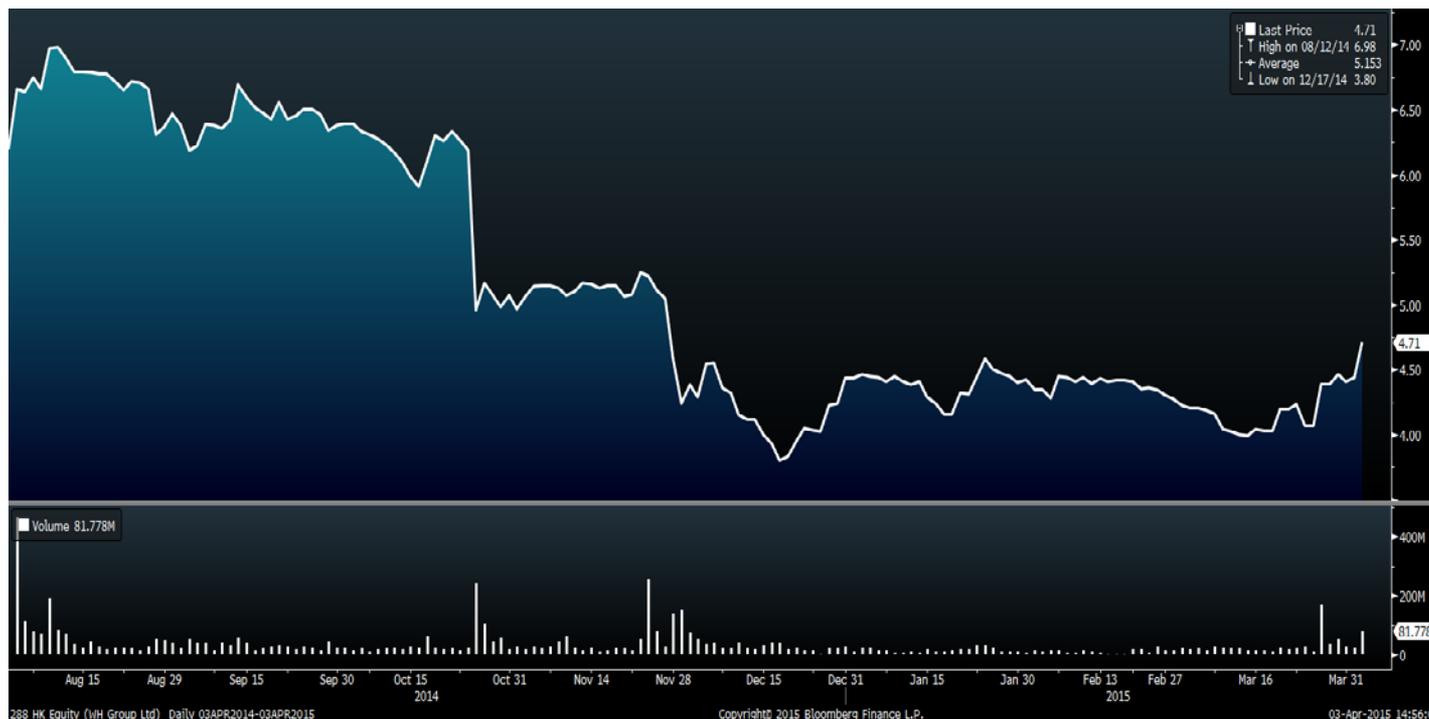
Neglected Stock with Growth Opportunity

Quick Summary

- WH Group is the largest global pork processor, with operations and sales focused on China (43% sales) and the United States (50% sales)
- Despite its backdrop for secular growth opportunities in China, the firm's valuation multiples are heavily discounted versus its global peers
- WH Group is a holding company representing the 2013 combination of Shuanghui Development of China and Smithfield Foods in the United States, rather than capitalizing potential synergies, the market implies a reduced valuation for Smithfield from its takeover (and pre-merger) value
- In sum, an attractive long-term growth business with compelling value-creation opportunities on a bottom-up basis

Shares have Drifted Downward Since Hong Kong Listing in Late 2014

1-2 Punch:
1.) Mishandled IPO and
2.) Widening pessimism towards emerging market shares



Source: Bloomberg

Valuation Disparity Between the S&P 500 and the MSCI Emerging Markets Index Com

1-2 Punch:
1.) Mishandled IPO and
2.) Widening pessimism towards emerging market shares



Source: Bloomberg

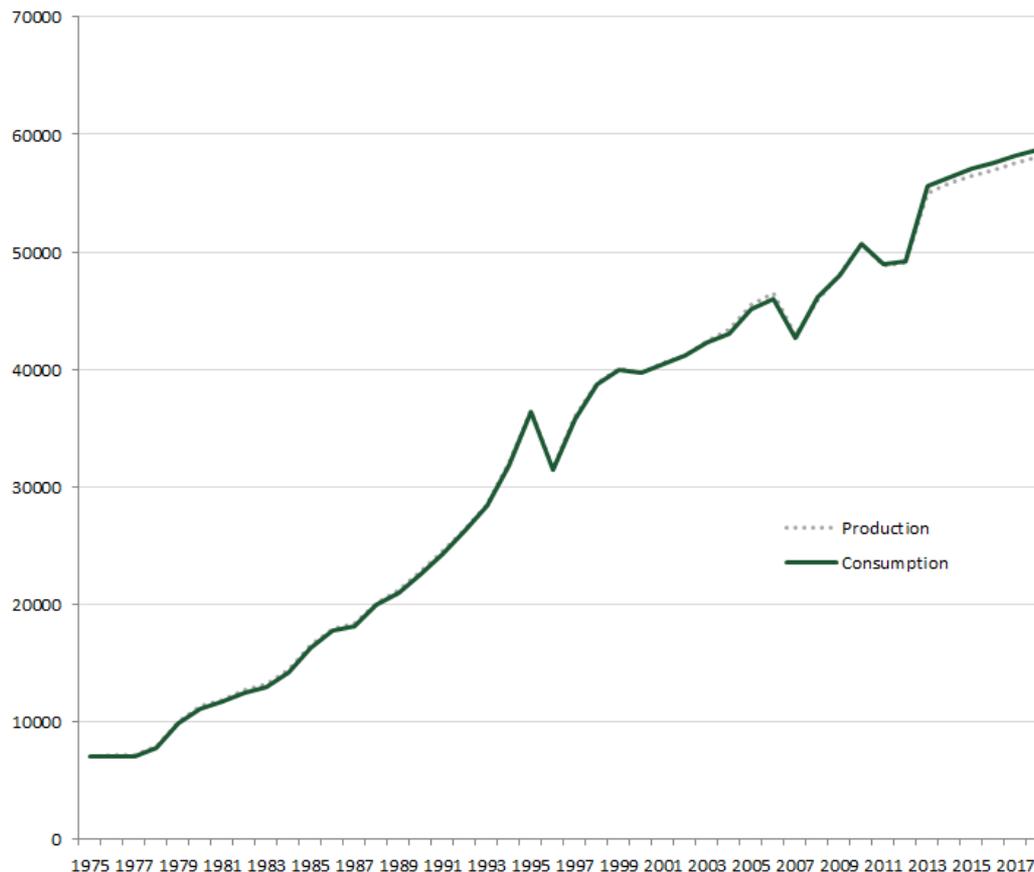
The Combined Effect Leaves WH Group Valuation at the Bottom of its Global P

<u>Company Name</u>	<u>Country</u>	<u>Industry</u>	<u>Industry Subgroup</u>	<u>Curr. P/E</u>	<u>Next P/E</u>	<u>Curr. EV/EBITDA</u>	<u>Next EV/EBITDA</u>
WhiteWave Foods Co/The	UNITED STATES	Food	Food-Dairy Products	40.2x	34.1x	19.0x	16.9x
Hain Celestial Group Inc/The	UNITED STATES	Food	Food-Misc/Diversified	34.0x	29.4x	19.6x	17.4x
Grupo Nutresa SA	COLOMBIA	Food	Food-Misc/Diversified	29.2x	26.5x	12.6x	11.5x
Grupo Bimbo SAB de CV	MEXICO	Food	Food-Baking	26.8x	22.8x	11.6x	10.7x
QL Resources Bhd	MALAYSIA	Agriculture	Pastoral&Agricultural	26.0x	22.8x	16.7x	14.9x
Hormel Foods Corp	UNITED STATES	Food	Food-Meat Products	22.2x	20.8x	12.6x	11.9x
Saputo Inc	CANADA	Food	Food-Dairy Products	23.1x	20.6x	14.3x	13.1x
McCormick & Co Inc/MD	UNITED STATES	Food	Food-Misc/Diversified	22.1x	20.5x	15.4x	14.5x
Maple Leaf Foods Inc	CANADA	Food	Food-Meat Products	29.5x	20.5x	10.7x	8.6x
Gruma SAB de CV	MEXICO	Food	Food-Flour&Grain	21.9x	20.1x	12.0x	11.4x
JM Smucker Co/The	UNITED STATES	Food	Food-Confectionery	21.5x	20.0x	13.8x	11.4x
Grupo Lala SAB de CV	MEXICO	Food	Food-Dairy Products	21.3x	19.0x	11.3x	10.0x
Campbell Soup Co	UNITED STATES	Food	Food-Misc/Diversified	19.9x	18.9x	12.3x	11.9x
BRF SA	BRAZIL	Food	Food-Meat Products	20.3x	17.3x	11.5x	10.3x
Grupo Herdez SAB de CV	MEXICO	Food	Food-Canned	19.6x	16.9x	11.1x	10.1x
Industrias Bachoco SAB de CV	MEXICO	Food	Poultry	14.0x	16.4x	6.2x	7.0x
Henan Shuanghui Investment & Development Co Ltd	CHINA	Food	Food-Meat Products	17.4x	15.3x	12.4x	10.9x
Alicorp SAA	PERU	Food	Food-Misc/Diversified	17.1x	14.6x	10.0x	9.1x
Darling Ingredients Inc	UNITED STATES	Food	Food-Meat Products	21.5x	13.5x	8.9x	7.8x
M Dias Branco SA	BRAZIL	Food	Food-Confectionery	15.1x	12.9x	11.7x	10.5x
Indofood Sukses Makmur Tbk PT	INDONESIA	Food	Food-Misc/Diversified	13.9x	12.8x	8.3x	7.5x
Ingredion Inc	UNITED STATES	Food	Food-Misc/Diversified	14.1x	12.7x	8.0x	7.5x
Sanderson Farms Inc	UNITED STATES	Food	Poultry	7.3x	12.4x	3.7x	5.9x
Charoen Pokphand Foods PCL	THAILAND	Food	Food-Misc/Diversified	15.5x	12.3x	12.2x	11.0x
JBS SA	BRAZIL	Food	Food-Meat Products	13.4x	12.1x	6.0x	5.5x
Pilgrim's Pride Corp	UNITED STATES	Food	Poultry	7.7x	11.2x	4.0x	5.5x
Tyson Foods Inc	UNITED STATES	Food	Food-Meat Products	11.3x	10.5x	7.3x	7.0x
San Miguel Pure Foods Co Inc	PHILIPPINES	Food	Food-Meat Products	10.4x	9.4x	3.4x	3.2x
WH Group Ltd	HONG KONG	Food	Food-Meat Products	<u>9.8x</u>	<u>8.9x</u>	<u>6.5x</u>	<u>6.0x</u>
Average				19.5x	17.4x	10.8x	10.0x

Sources: Bloomberg, Templeton and Phillips

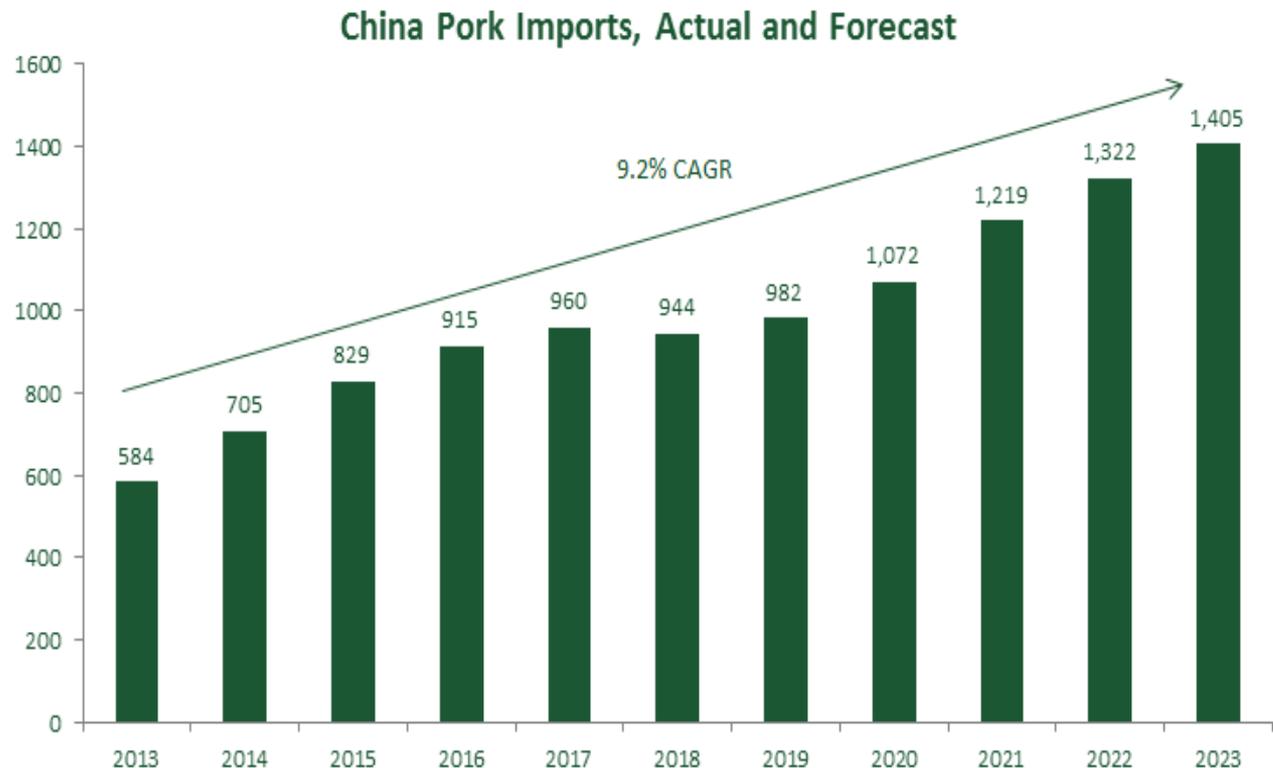
Chinese pork consumption and production have historically been in balance, but in recent years consumption has outpaced production, and is forecasted to maintain a deficit

China Annual Pork Consumption and Production



Sources: USDA, FAS

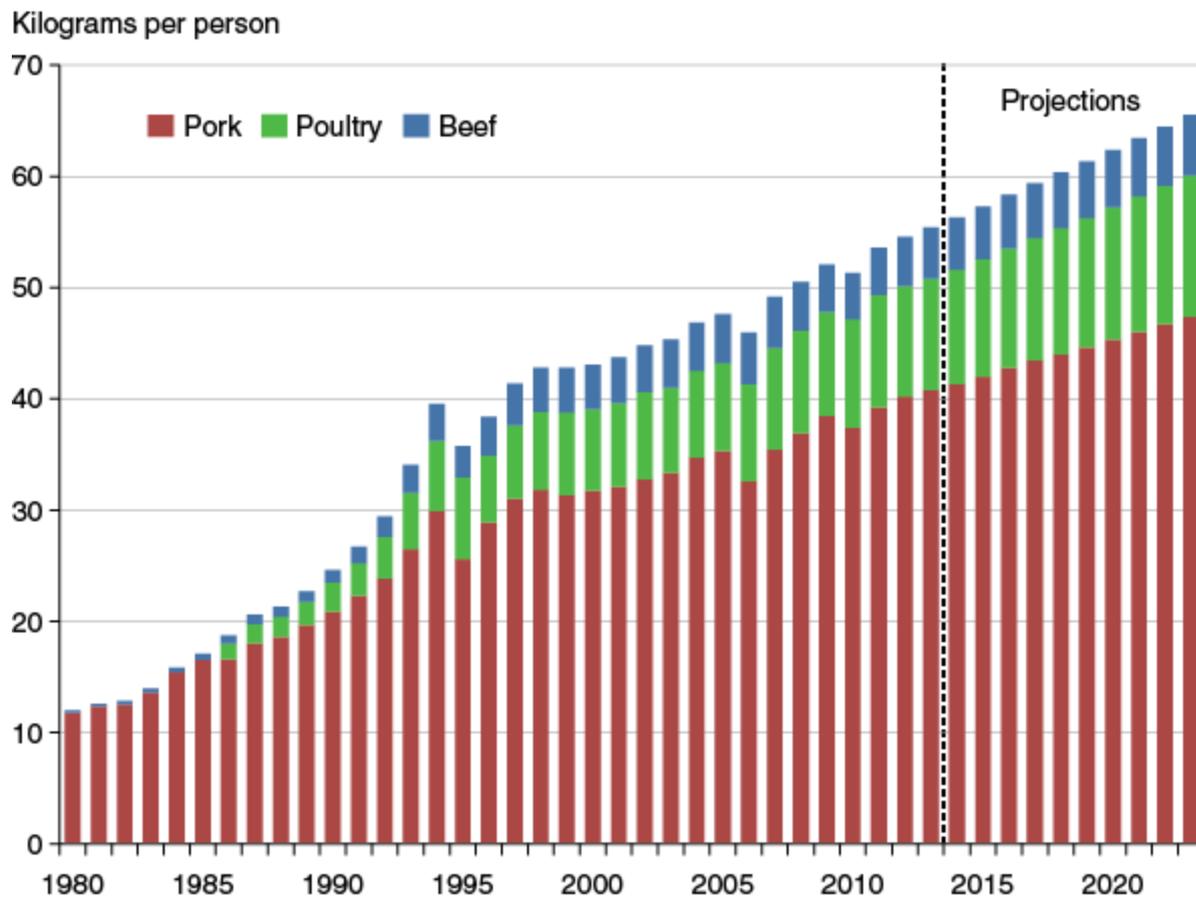
As consumption outpaces production, imports have, and are expected to continue to cover the difference



Source: OECD Agricultural Outlook

Meat consumption in China is expected to continue its growth trajectory based on rising incomes and urbanization, however, pork consumption is expected to grow 3x faster than poultry and beef

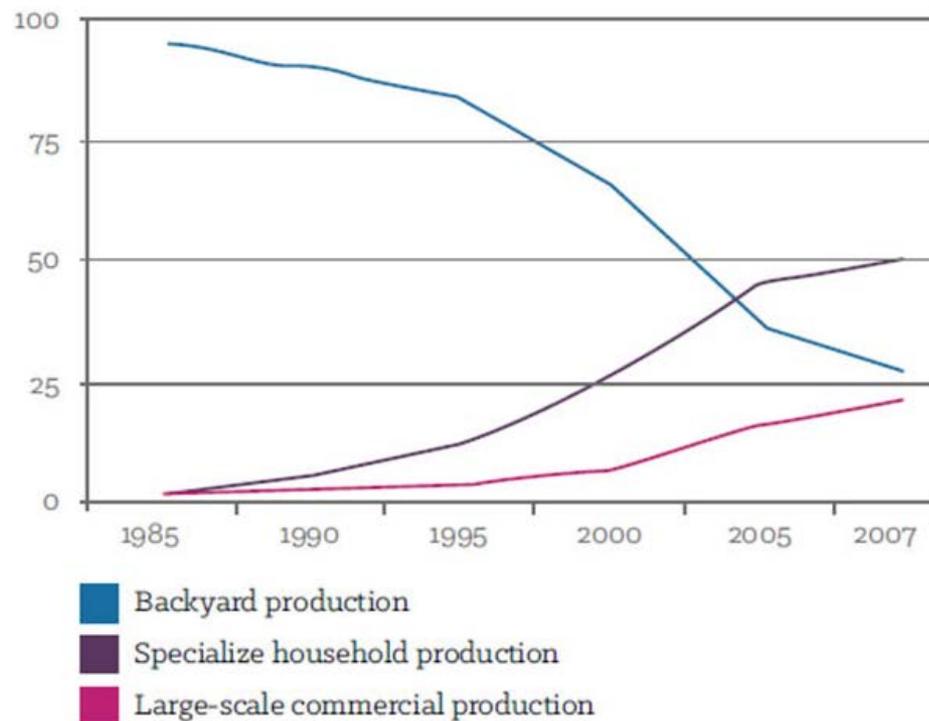
Continued growth projected in China's per capita meat consumption



Source: USDA Production, Supply and Distribution database and projections.

Chinese Hog Production Has Become Increasingly Commercialized to Meet Demand and Rising Standards

Over the same period that meat and pork consumption rates have accelerated, industry supply has begun a dramatic shift towards commercial production

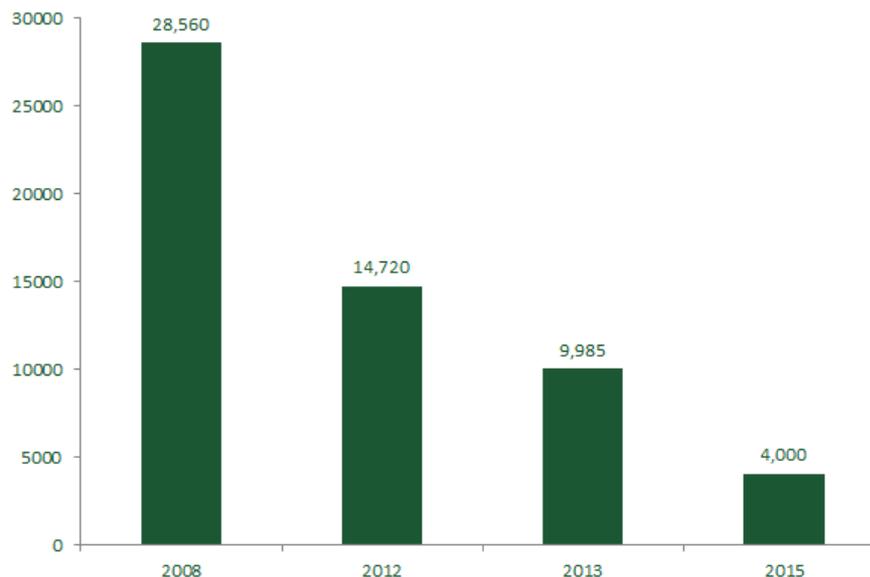


Source: Modern Farmer, INFORMA

Chinese Hog Production Has Become Increasingly Commercialized to Meet Demand and Rising Standards

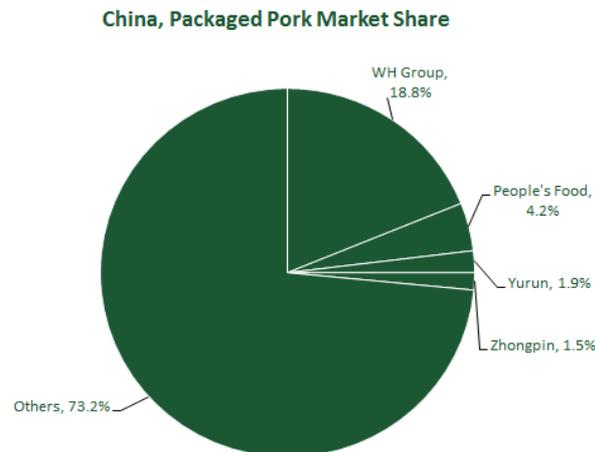
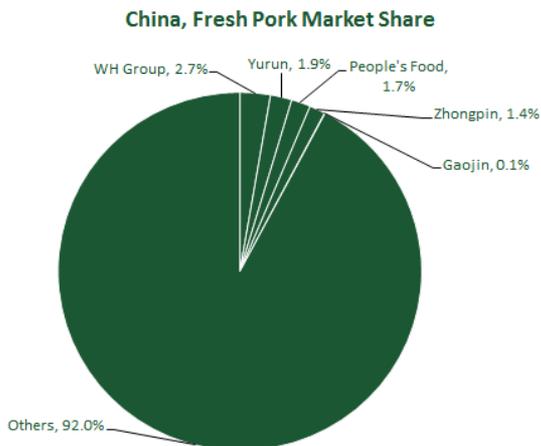
To stimulate the transition, the Chinese government is forcing standardization and the closure of informal slaughterhouses, in order to protect food safety

Chinese Pork Slaughterhouses

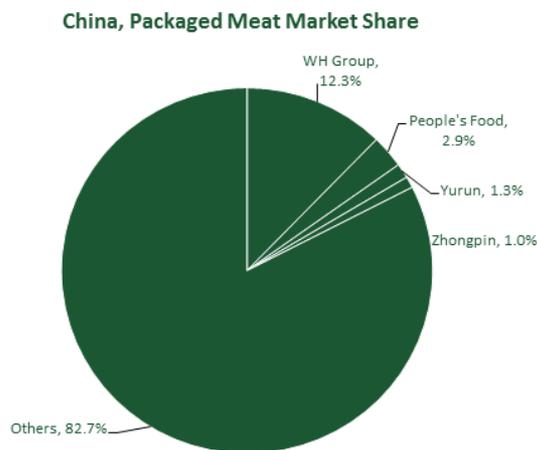


Source: China Ministry of Commerce

WH Group is Well Positioned to Capture the Results of Rising Demand and Industry Consolidation



WH Group possesses leading market share in China, and is strongly positioned to capture long-term rising demand, as well as greater share due to its scale and leading position

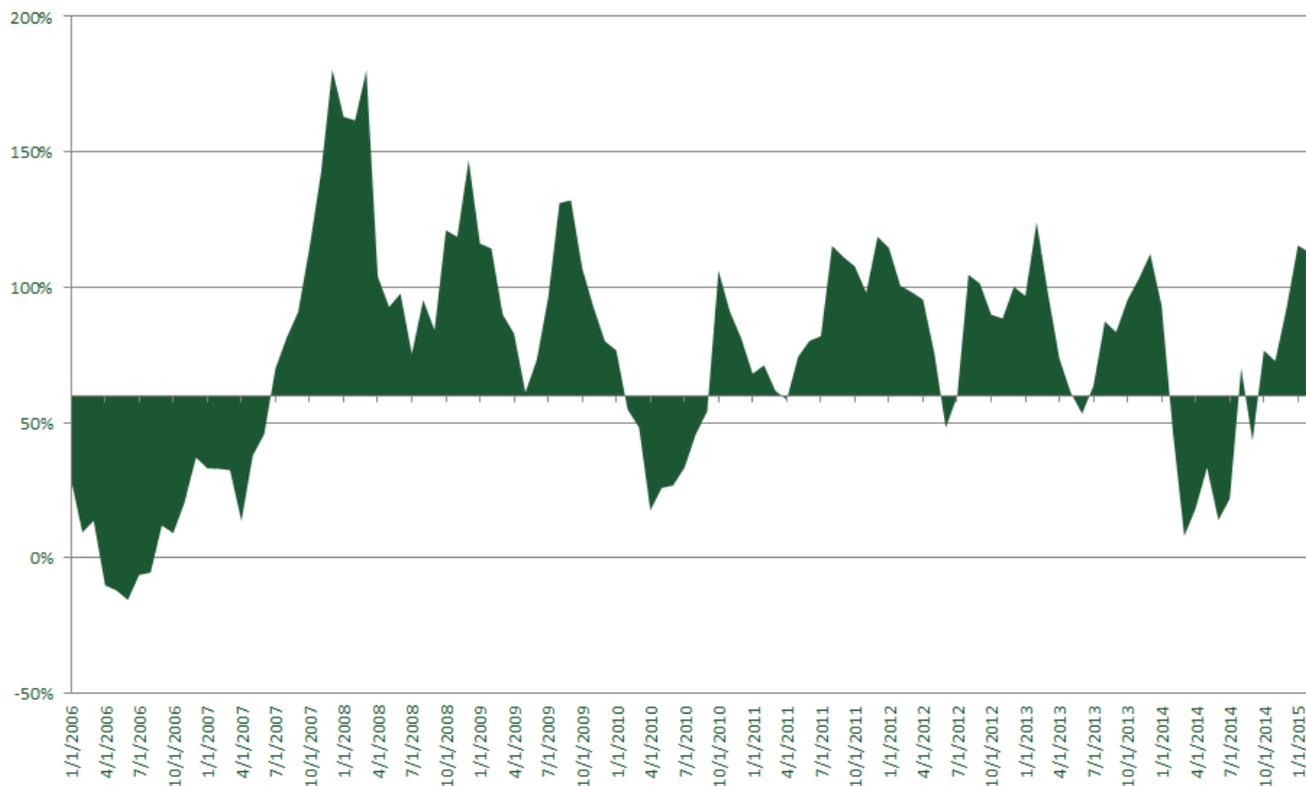


Source: Frost & Sullivan, Nomura research

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WH Group, The Bottom-Up Opportunity

China Live Hog Price Premium Versus US Prices



Historically, China's live hog prices have traded at a significant premium to US based prices. When the premium exceeds 60%, there is a strong profit incentive for US producers to export to China

Source: Templeton & Phillips, Bloomberg, USDA, China Ministry of Agriculture

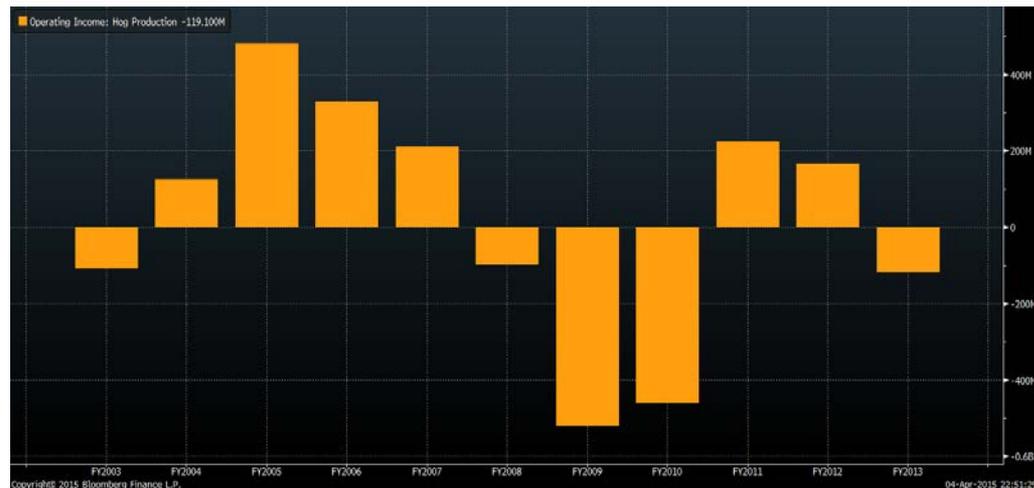
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WH Group, The Bottom-Up Opportunity

Historically, Smithfield traded at a discounted valuation to US peers Tyson and Hormel, due to the commodity nature of its vertically integrated hog production business

The operating profits of Smithfield's hog production routinely swung to losses during industry periods of excess supply; going forward however, excess supply in the US hog production business will be

exported to the Chinese operations; stabilizing SFD



Source: Bloomberg

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WH Group, The Bottom-Up Opportunity

Today's valuation demonstrates significant near-term pessimism towards the combined enterprise

			Equity Values	
Shuanghui Development	\$13,551.86	x 0.73 =	\$9,980.05	
Smithfield Foods		100%	<u>\$4,730.00</u>	
Sum			\$14,710.05	} 39.5% Discount
WH Group			\$8,902.45	

LAUREN C. TEMPLETON



Lauren C. Templeton is the founder and president of Templeton & Phillips Capital Management, LLC; a value investing boutique located in Chattanooga, Tennessee.

Ms. Templeton received a B.A. in Economics from the University of the South. She is the president and founder of the Southeastern Hedge Fund Association, Inc. (www.sehfa.com) based in Atlanta, Georgia. In addition to these responsibilities Ms. Templeton also currently serves the following organizations: the Board of Trustees at the Baylor School, the Pre-business Advisory Council at the University of the South, Sewanee (Board Member) and, the Finance Advisory Board of the University of Tennessee Chattanooga.

Ms. Templeton is also an active member of Rotary International. She serves on the investment committee of Chattanooga Rotary Club 103 and the investment committee of Rotary International.

Lauren is the great niece of Sir John M. Templeton and is a current member of the John M. Templeton Foundation. The John Templeton Foundation was established in 1987 by renowned international investor, Sir John Templeton.

Templeton and Phillips began investing as a child under the heavy influence of her father as well as her late great-uncle, Sir John Templeton. Lauren began her professional career working with managed portfolios and investments in 1998, beginning as a junior associate at the financial advisor Homrich and Berg and later the hedge fund management company New Providence Advisors both of Atlanta. In 2001, Lauren founded Templeton and Phillips Capital Management, LLC which dedicates its efforts to the practice of value investing across the global markets using the same methods learned from her great-uncle, Sir John Templeton. Ms. Templeton is also the co-author of, [Investing the Templeton Way: The Market Beating Strategies of Value Investing](#) [Legendary Bargain Hunter](#), 2007, McGraw Hill, which has been translated into nine languages.

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SCOTT PHILLIPS



Scott Phillips is portfolio manager and head of research at Templeton & Phillips Capital Management, LLC. Prior to working with Templeton & Phillips Capital Management, LLC, Scott Phillips founded Cumberland Capital Corp, located in Chattanooga, TN. Founded in June 2004, Cumberland Capital provided equity research services to Green Cay Asset Management, a hedge fund management company located in Nassau, Bahamas. In this capacity with Cumberland Capital, Scott was the lead research analyst on the Siebels Hard Asset Fund a long/short equity fund managed by Green Cay Asset Management. In addition to consulting on this fund Scott also provided equity recommendations for the Green Cay Emerging Markets Fund .

Prior to consulting Green Cay's funds Scott was employed as a research analyst with Green Cay beginning in January of 2004. Before joining Green Cay, Scott was an equity research associate analyst with SunTrust Robinson Humphrey (including its predecessor companies) in Atlanta GA from January of 1999 to December of 2003.

Scott co-authored with Templeton and Phillips of the book "Investing the Templeton Way" released in 2008 by McGraw Hill. Scott is also the author of "Buying at the Point of Maximum Pessimism" a book on forward looking investment themes published by the FT Press in 2010. In addition to these books, Scott co-authored a revision of William Proctor's 1983 biography of Sir John Templeton titled "The Templeton Touch" released in December 2012.

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Scott received his B.A. from the University of the South.

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Fund Performance presented is that of the Templeton and Phillips Capital Management, LLC Global Maximum Pessimism Fund Offshore Founders Class Shares. The Founders Class is generally not available to most potential investors, but is presented because it represents the largest share class in the Fund. Other share classes have differing expense structures and their performance would be expected to be lower. Please read the Offering Memorandum for additional information.

Separately Managed Account performance information presented is based on a representative separately managed account in our Global Long Only Strategy. This account was selected as a representative account because it has the longest track record in our Global Long Only Strategy. Not every client's account will have these exact characteristics or the same performance. The actual characteristics and performance with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) timing of investment, (iii) investment restrictions applicable to the account, if any; and (iv) market exigencies at the time of investment. It cannot be assumed that another account would have the same performance or holdings even if following the same strategy.

Returns are presented net of investment advisory fees and include the reinvestment of all income. Net returns may be reduced by additional fees (outside of investment advisory fees) such as performance fees or transaction costs.

The comparative benchmarks represent past performance and are utilized on the statement solely for comparative purposes and are not indicative of future results. The MSCI ACWI (All Country World Index) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Hedge Fund Research Global Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. The volatility of these indices could be materially different from your portfolio. The indices do not reflect fees and expenses and they are not available for direct investment.

LTCM is a registered investment adviser. More information about LTCM including its investment strategies, objectives and fee schedule can be found in Form ADV Part 2 which is available upon request.

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