Good afternoon,

The Ben Graham Centre of Value Investing at the Richard Ivey School of Business, The University of Western Ontario and I, George Athanassakos, the Director of the Ben Graham Centre for Value Investing are delighted welcome you all to the 2nd Annual Symposium on Value Investing in this beautiful location in Crete.

The Symposium focuses on all aspects of value investing and related subjects. Six of the submitted papers have been selected for inclusion in the Symposium.

Is there a value premium? Do value stocks beat growth stocks and why? Are the markets efficient, as value investing depends on market inefficiency? Value investors make money by leaning against human irrationality and market inefficiency. We will try to answer some of these questions during the Symposium.

The Symposium sessions are on Monday, June 29 from 2:15pm to 6pm and are both held in the Achilles room.

At 7pm (until 8:30pm), following the Symposium sessions, there will be a reception with a key note speaker, best paper award and tasting of local wines/foods. The key note speech and the best paper award will be in the Achilles room, while the tasting of local wines and foods will be in the Veranda next to the Achilles room.

The best paper Award is sponsored by the Ben Graham Centre for Value Investing. The key note speaker and the reception are sponsored by Burgundy Asset Management Ltd. - a leading investment counseling firm providing discretionary investment management services to private individuals, charitable foundations, endowments, and pension funds.

The Ben Graham Centre for Value Investing serves a critical role in coordinating applied research at the University, in linking the activities of faculty and students with practitioners and in undertaking activities which are mutually beneficial to the University, the Industry and investors in general. The mandate of the Center is to develop a program on value investing, carry out research with a value investing theme and spread the word to academics and practitioners. The symposium falls within the latter mandate.

Here are short summaries of the papers to be presented at the symposium.

The first paper of the symposium looks at value vs. growth returns in each of the US exchanges, it finds a significant value premium that is pervasive and then goes on to identify the drivers of the value premium. The paper is extended by trying to see whether one can make money by picking stocks based on the value investing methodology, which goes beyond the stock screening approach that academics have followed to place stocks in the value vs. growth camp.

The second paper examines whether a value premium exists in Australia and then goes on to look at many stock screening metrics and finds that the book to market ratio is the best identifier of value vs. growth stock and predictor of equity returns.

The third paper explores the value effect through what they call “Clairvoyant value”, defined as the ex post realized cash flows discounted to present as compared with the share price at a historical point in time, and finds that although growth stocks have historically exhibited superior future growth, the market overpays for these superior growth expectations. The paper also finds that there is a predictive link between the standard deviation of the log of the ratio of growth to value metrics and the observed growth/value cycle in the markets. And that a wide dispersion tended to precede a period of exceptional performance for value stocks. In other words, the paper answers the question of when do value stocks beat growth stocks and vice versa.

The fourth paper analyses the predictability of different style portfolio returns (i.e., value and size) taking into account the sensitivities of these returns to macroeconomic variables, such as yield spread, inflation, industrial production and so on. It shows that returns of style portfolios appear to be related to yield spreads and other macroeconomic variables which in turn help us predict different style portfolio returns, but relationships change over time.

The fifth paper identifies which components of NOA are primarily responsible for the NOA anomaly - the negative relationship between NOA and future stock returns. They provide strong evidence that it is investors’’ inattention to the discretionary portion of NOA that leads to mispricing. They find that a portfolio of long low NOA value stocks and short high NOA growth stocks produced an average return of 21.2% pa. This is strong evidence against market efficiency and has enormous investment potential. They also find that the combination of NOA and B/M anomalies generate a more powerful indicator of market mispricing than any other that has been documented in the finance literature to date.

The final paper develops and tests a hypothesis that asset pricing anomalies share a common link via a mispricing relationship involving operating profits and external financing. It provides tremendous insights in multi factor studies and completely changes the way one thinks about high B/M and small cap stocks. Risk is defined in the paper as failure rate, nothing about volatility of returns. The toughest thing one has to wrestle with in the paper is that a firm with high profits should rationally provide lower returns because it has lower risk of failing, but it actually provides higher returns because the profit and financing mispricing they describe disrupts the rational relationship between profitability and future returns. One thing I wanted to see in the paper was the timing of the formation of portfolios to occur after the financing information became available.

Enjoy the symposium and this beautiful location in Crete.