



*Don't do it – there is still hope...*

"After Buffett's annual shareholder report, your analysis is MUST reading. I look forward to each report and drop whatever I am doing to dive in."

*- Value Portfolio Manager, NJ Investment Fund*

## THE INVESTOR'S EDGE

Biweekly Education Saving You Time & Money in Investing

### This Will Make You Reconsider Your Investment Strategy

Had a rough time last year? Beat the index? Maybe you spent December thinking up excuses as to why you didn't? How did your letter to investors start? With an apology?

Hold on. Stop and think for a second. **What exactly is your investment strategy and do you really believe in it?** I mean **REALLY** believe in it. Is it dynamic enough? Read on to see what I mean.

As you can imagine, I see a lot of fund managers and various other people on the investment side of the business. Last week, I visited a fund manager who claimed to be active in special situations, Spinoffs and other value with catalyst ideas. He had around \$150m AUM and was struggling with performance. I asked him to kindly explain his strategy so I could evaluate whether we could help him or not. He then promptly gave me his presentation and said I'd be better off reading that whilst he left the room for 10 minutes. Not only did I think that was a little odd, I also thought it was a little rude, and quite frankly, the presentation didn't really tell me a lot other than the usual generic, "we have a load of experience, we look where others don't..." YAWWWWNNNN... Sorry, that's just boring. I always ask myself, "what do you (I) bring to the table and more importantly, is it relevant today?"

After chatting with him for a while (after reading the dull presentation), I asked him what he thought wasn't working and why. Other than not really having an answer, I immediately saw what he was doing wrong. His strategy of analysis hadn't really changed in years. It wasn't dynamic enough and didn't take into account the current events in the space, and he wondered why he was losing assets and actually made a loss in 2017! By the way, if you were wondering, he didn't become a partner of ours even though he clearly needed our help. He was just too stuck in his old ways to change and failed to adapt to a moving environment.



***This look like your investor presentation?***

An investment process must be dynamic and evolve, and it should be communicated to investors as such. Otherwise, you end up losing to the market as it becomes more efficient than what you do, ultimately frustrating you like this fund manager was and is. The strategy must change with the times, the environment, technological advances and how the strategy is covered and perceived by the wider world. You must always be looking for new angles to what you do. Where is your Edge?

I'm not saying strategy drift is the way to go, but what you did 10 years ago probably isn't what you should be doing today. It isn't here. I know that for sure. For example, 10 years ago, sum of the parts was the way to go in Spinoffs. That accounted for about 80% of the analysis and it worked. Fast-forward to now and this accounts for 20% of the analysis. More people are looking at the space and robots can add up numbers faster. It's still the same fundamental techniques from what we offer, just in a different way that I think the market doesn't take account of. Therefore, the drive has to look at predicted Spinoffs and breakup names and where value with catalyst is involved, and we need to look far beyond just numbers. Quality of management, future events, likelihood of M&A and, of course, put it together with our vast experience of analysing these sorts of situations. We continue to perform. If you didn't see it, here is [Where The Edge is Looking for Value in 2018](#).

If you think your strategy is failing in the current market and you want a quick chat on how we are helping fund managers in the space, please call me and I will see if we can add that Edge to your returns. I'd love to hear from you.

Jim Osman

CEO

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Ticker	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1
	AMZN US Equity	INDV LN Equity	PYPL US Equity	ADS GY Equity	HPE US Equity	RR/ LN Equity	BCO US Equity	MET US Equity	ARNC US Equity	DATA US Equity
Company Logo										
% Return to Today*	271%	167%	29%   97%	195%	69%   2%	78%	156%	32%	31%	47%
Long/Short	Long	long	Short   Long	Long	Long   Long	Long	Long	Long	Long	Long
Entry Price / Initial Recomm	\$280	€1.2	\$42   \$30**	€ 60	\$14   \$18**	€5.20	\$28	\$42	\$20	\$44
Price Now*	\$1,039	€3.2	\$30**   \$59	€ 177	\$29**   \$18	€9.25	\$72	\$56	\$26	\$65
Sector	Consumer Retail	Pharma	Consumer E-Commerce	Consumer Retail	Technology	Industrials	Industrials	Financials	Industrials	Industrials
Market Cap*	\$444bn	€2bn	\$52bn	€37bn	\$37bn	€14bn	\$3bn	\$56bn	\$22bn	\$5bn
Region	United States	United Kingdom	United States	Germany	United States	United Kingdom	United States	United States	United States	United States
What's Interesting The Edge View	Spinoff to Help Re-rate its High Margin Cloud Computing Business. ARCONIC Web Services (AWS)	Spinoff from Reckitt Send out / Initial Selling Pressure / Takeover Target / Large Insider Support	PYPL Fully Valued Post IPO / Strong Balance Sheet - Lures Debt / Part of The Edge "3" Fallen Spinoffs	Strategic Review on its Golf Business / Possible Sale at Spinoff / Management Re-Shuffling	Spinoff from HPCL / Experienced Management Team with Key Women as CEO / Longer-Term M&A Scenario	SOEF: Doing with Multiple Catalysts / Management Re-structuring on Track / Active @ Buy	Strong CEO Track Record / Recent Insider Buying / Long Term Potential Takeover Target	Special Situation Turns Spinoff / 75 Large Cap Special Situations / Strong Management	Strong Growth / Visibility / Insider Buying / Active / Accretive Investor / Strong Management	Strong CEO Track Record / Growth Profile & Balance Sheet Flexibility / Zero Debt & Cash is 25% of Market Cap
Product: ESR/ESS	ESS	ESR	ESR	ESS	ESR (Current Holding)	ESS	ESS	ESS / ESR (Current Holding)	ESR	ESS (Current Holding)

\*July 24, 2017  
\*\*September 29, 2015

\*March 31, 2017  
\*\*Adjusted for DKK Spinoff

**"Being clients for over 5 years and given we've over \$25bn AUM and 20 analysts, you're [The Edge] in an extremely rare position of being the only external advisor we trust."**  
- Portfolio Manager, \$25bn NYC Investment Management Firm

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- John Showel, Chief Executive Officer, Como Asset Management LLC

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