

**„I have no special talents,  
I am just passionately curious“**

**Albert Einstein**

**Jobs @**

**FORUM**



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# Our Profession: Value Investing

Forum is a value investor by skills and by heart. We see three principles as the core of value investing and of what we do:

- a) **Owning a business** vs. owning a piece of paper. This requires a deep understanding of the fundamentals of a business and knowing its intrinsic value.
- b) **Margin of safety.** Only buy when an opportunity is outstanding. Do not hold stock if it does not give you a margin of safety any more.
- c) **Mr. Market.** View the stock market as a business partner full of psychological biases – which you should exploit. Do not view him as an authority.

These principles determine

- what we do
- what we strive to be good at
- what people we are looking for

# Owning a Business (I): What we do

- At Forum we spend the majority of our time **understanding the quality of businesses**.
  - Identifying new investment candidates
  - Interviewing company management – the more the better
  - Financial modelling
  - Getting an “outside-in” perspective by interviewing customers, competitors or other industry sources
  - Evaluating new information, e.g. interims.
- Within this fundamental company analysis we typically **allocate our time as follows**:
  - Online information gathering (desk work) 35%
  - Field work, interviews, conferences 20%
  - Written documentation, modelling 25%
  - Discussion with colleagues 20%

# Screening Process at Forum

## Universe

Capitalisation € 100 m to 1 bn

~ 6.000 Long list

Business Quality sufficient

~ 1000

ROCE > 20% or ROE > 25%

~ 400 Short list

Added to Watchlist after Company Visit

~ 200 "Warm" Candidates

Shortlist after Additional Due Diligence

~ 30 Active Watchlist

Investments

10-15 Investments

# Owning a Business (II): What we strive and look for

- Our value investing philosophy puts strong emphasis on **determining the intrinsic value independent of current trading and market valuation**
- Our analysis is based on **20-30 frameworks, developed out of corporate strategy concepts and then expanded upon for investing**, which have proven to explain the difference between a good and a bad business
  - this is something we believe **few of our competitors can match due to their short-term orientation.**

These frameworks are used as a tool, they do not substitute for creative insights into a business or industry

To fit into this approach of understanding the “laws of long-term business quality” **you need very strong analytical and conceptual skills - combined with relentlessness and persistence in performing ever deeper analysis.**

# Margin of Safety: What we do

- This point is about buying and selling stakes in companies as well as position sizing. Thus it relates primarily to our decision-making process.
- We deal with this aspect of value investing as follows:
  - Spending significant time and effort on **understanding and quantifying risk** - knowing that there will always be negative surprises
  - A **hurdle rate of 30% p.a. for the expected IRR** of new investments and a corresponding discount from intrinsic value
  - **Mental discipline to follow our analysis**, both individually and as a group.
- When we tackle these decisions we spend a lot of time in meetings **exchanging different views** as this helps to bring out all risks and contributes to counterbalancing mental biases.

As an associate you participate in these meetings on a regular basis to develop the required mental discipline over time.

# Margin of Safety: What we strive and look for

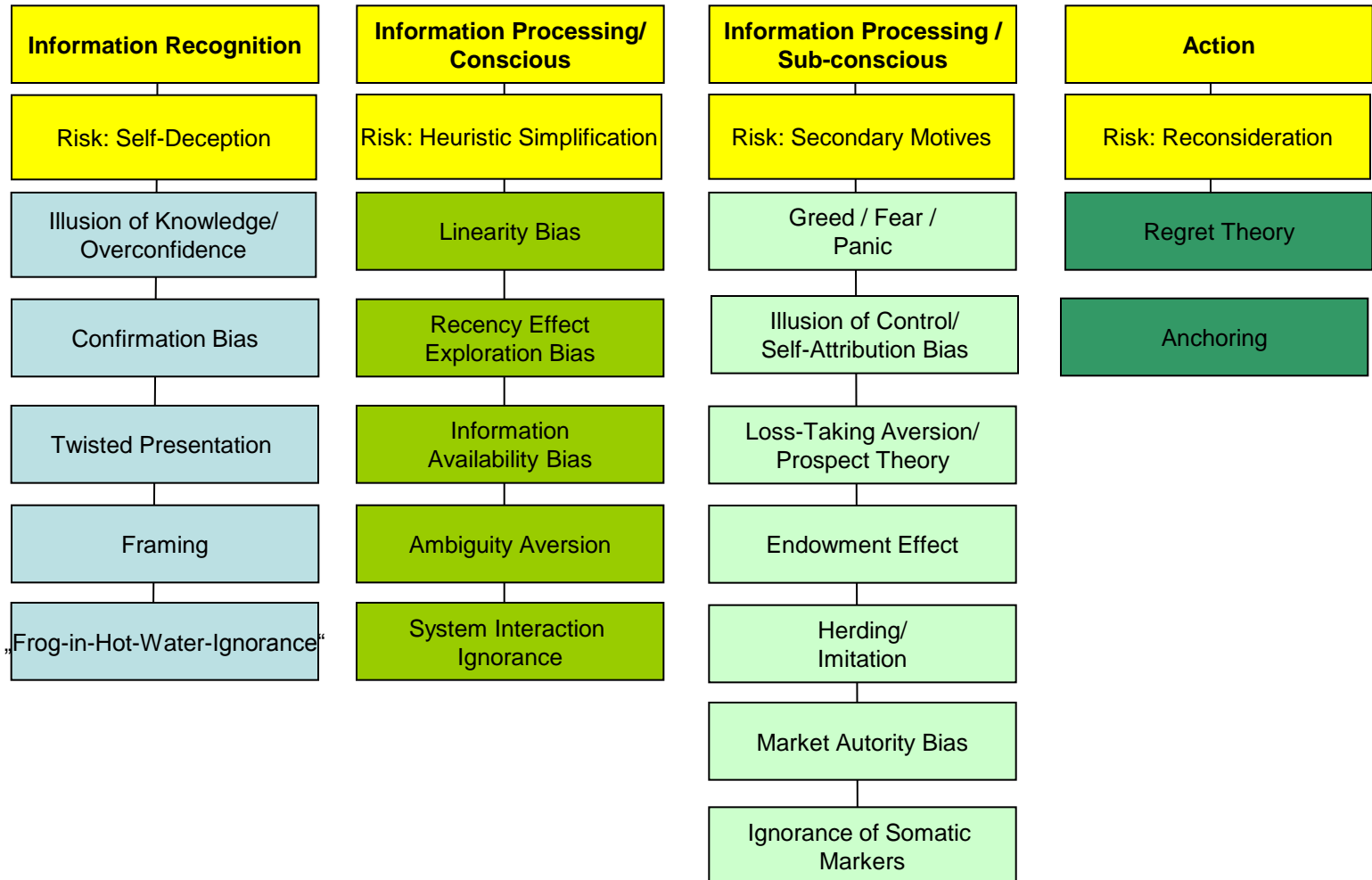
- To improve our skills at making buy or sell decisions we are spending a lot of time and effort reviewing failures: “**post mortems**”. They teach us to be aware of our biases and to be humble when it comes to understanding risks
  - to be good at this you have to have **a personality which openly admits mistakes and enjoy learning from them**. This implies putting “truth” above ego.

- When screening applications or interviewing candidates we look for **personalities which have made self-criticism and humbleness an integral part of their personality**
  - **you should enjoy these traits** as they allow you to learn faster and develop a reflective mind
  - **think about Warren Buffett as a role model**: a modest ego, but outstanding success tend to go together in value investing.

# Mr. Market: What we do

- The third key aspect of value investing is nearly **all about eliminating mental biases**: if you have
  - done your homework on understanding what you own or can buy
  - established an investment process to buy and sell based on margin of safetyyou should – theoretically – not be influenced by gyrations of the market. **But human psychology is a powerful enemy of such rational decision-making:**
  - **Fear and greed** are the most basic drivers of human behavior
  - **Extrapolation bias, endowment bias, the Halo-Effect and other mental biases** are more subtle and harder to detect.
- Dealing with Mr. Market is **not about what we do, but about what we do not do:**
  - most of the days there are no actions or trades at FORUM
  - we have no Reuters or Bloomberg terminal to follow the “noise” from the market
  - as part of a Family Office we do not (have to) talk to concerned investors.

# Mental Biases in Investing



# Mr. Market: What we strive and look for

- Our approach at getting better on treating Mr. Market as a fool is “**mantra**”:
  - We spend considerable time on **discussing the insights, provided by research in behavioral finance on mental biases**: if we know these biases and increase our awareness it is easier to recognize them when we are under their influence.
  - We regularly **review our past actions** looking for instances where we mistakenly took Mr. Market as an authority and deviated from our rational process.

- In terms of recruiting requirements we look for personalities which have a **demonstrated independent thinking and taking a contrarian view**
  - Some psychologists use the term “**controlled autism**” when describing personalities who have achieved outstanding success by following an independent path largely ignoring outside influences.

# Passion as a Must

As in all professional firms trying to become leaders in their industry you need **passion** to succeed:

- a) generating investment ideas **based on a contrarian opinion** to the consensus
- b) **developing new insights** into the concept and process of value investing
- c) **contributing new standards of excellence** in building one of the leading professional European value investing firms.

To reach our professional goals **we need your full and unconditional commitment**. If we cannot get that or have doubts we will pass the opportunity to hire even the best talent.

If you offer us to **rent your brain or experience during working hours** for money you should not apply.

# What We Mean by Passion I

- Prioritization:** **First the clients**, then the firm, then me.
- Relentlessness:** Any status quo is just the **starting point for the next level of insight or quality.**
- Courage:** (Nearly) **all information can be obtained** – if creativity is coupled with a strong will.
- Immersion:** Great ideas often come unexpectedly – to a prepared mind that keeps on pondering a question, **in and out of work, day and night, 24/7.**



# What We Mean by Passion II

## Personal Growth:

To a person seeking personal growth, **admitting own mistakes** will be a negligible concession compared with the perceived mental gain to be gained from learning from them.

## Integrity:

The true test of your professional integrity is the willingness to **commit your financial resources in line with our client's funds.**

# The Topic of Passion in Literature

## Fiction

- Kidder, Tracy: *The Soul of a New Machine*
- Pirsig, Robert M.: *Zen and the Art of Motorcycle Maintenance*
- Saint-Exupéry, Antoine: *Flight to Arras*

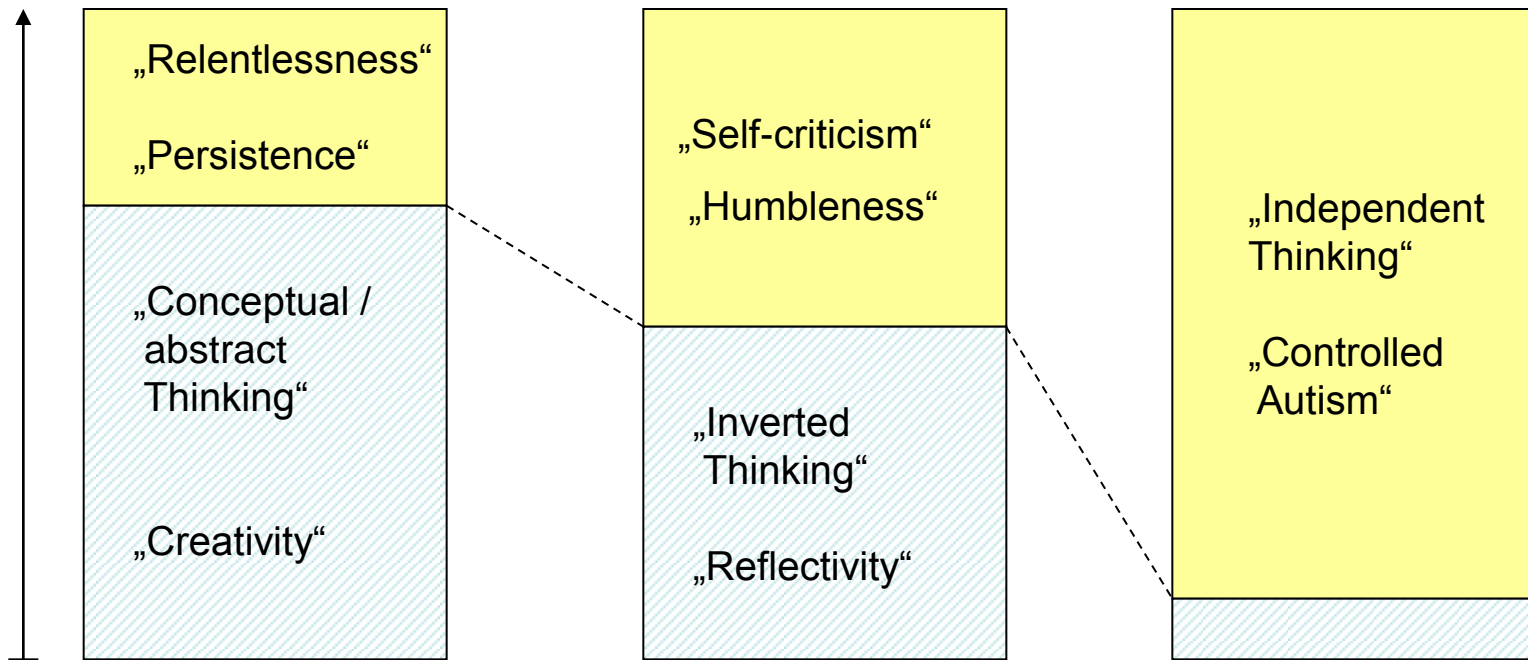
## Non-Fiction/Biography

- Lowenstein; Roger: *Buffett: The Making of an American Capitalist*

**If you can identify yourself with the key persons in these books and find their passion satisfying and rewarded, you may well fit into our team.**

# Value Investing – Skills and Character

Mix  
of Skills



Own a Business  
not Paper

Margin of Safety

Mr. Market

Character  
Brains

# Value Investing: Other Aspects for being Successful

- For a good overview over careers in value investing we recommend

**Kirk Kazanjian: Value Investing with the Masters.**

It summarizes the biographies and investment approaches of **20 successful value investors.**

- In addition to the success factors already mentioned, two more emerge:
  - early exposure to investing: the average of Kazanjian's successful group **made his / her first investment at age 15 (!)**
  - **general thriftiness:** taking the subway instead of the taxi.

From our experience we believe these factors are indeed good predictors of a successful career in value investing.

# Why Forum?

- Let's assume you have decided that a career in value investing matches your skills, personality and interest. **Now you want to understand how Forum is positioned within this area.** Most applicants ask us the following questions:
  - How does your investment approach compare with other firms?
  - What is an entry position – what would I do? How will I be involved in the group?
  - How successful are you?
  - How do I learn – how am I trained?
  - How does my career progress?
- In the end you will to make trade-off between
  - joining a boutique-type operation with the **chance to make an impact and working alongside unique people**
  - joining a larger institution with more formal training and the chance to improve the quality of your CV.



# Job Description of an Entry Position

- **Each of our associates covers a different region** as we feel Europe is still an aggregation of distinct countries:
  - Different languages, management cultures, and consumer behaviors
  - Databases, brokers and value investor networks tend to be organized by country
  - Travel requirements are simplified.
- Within your region **you cover all aspects of the decision-making process** from screening to monitoring holdings
  - **plan to travel 3-5 days / month.**
- **Internal communication happens at a single level:**
  - all analysis is written up in English and accessible to everyone
  - we have two formal meetings / week to review all new developments and results of work
  - in-between we have an open-door policy with regular informal exchanges.

# Annual Results since 2002

Seit Beginn (2002), p.a.	FORUM		HSBC European Smallcap Index		Ennismore NAV in €	
	Prozen t	Index	Prozen t	Index	Prozen t	Index
2002	-7,0%	93	-25,0%	75	-0,3%	100
2003	78,0%	165	38,0%	103	20,0%	119
2004	74,0%	287	24,0%	128	23,0%	147
2005	178,0%	798	36,0%	174	34,0%	197
2006	-37,0%	502	33,0%	231	10,0%	216
2007	1,0%	504	-5,5%	218	0,0%	216
2008	-50,0%	252	-51,5%	106	-28,0%	156
2009	129,1%	577	55,8%	165	4,0%	162
2010	26,9%	728	25,8%	208	22,8%	199
2011 YTD	7,7%	784	-20,8%	165	12,1%	224
IRR p.a. seit Jan. 2002 bis 2011		24,3%		5,2%		8,5%

<sup>1</sup>Basis 1.1.2002=100%

# What will I learn? How will I be trained?

- As a boutique-size operation we focus on **training-on-the-job** as a full member of our firm.
- MBAs and other students with formal business training **can take advantage of a rather large pool of resources:**
  - Extensive written documentation of all previous work and decision-making
  - Standard analytical tools
  - Participation in all formal and informal exchanges.
- For undergraduates you will have access to these resources **plus a library with a recommended reading list**
  - **Requiring a high degree of self-discipline and passion.**

# Career Progression at Forum

- We want to maintain our one-level hierarchy, thus **career progression at Forum does not involve any structural change in assignment**
  - e.g., managing teams or acquiring clients.
- Rather **you learn more about the science and art of investing:**
  - understanding **one of the most challenging professions in business**, with the vast majority of funds underperforming the index
  - seeing the results of your work in actual investment return
- Financially **you progress along the benchmark of the investment management industry**
  - with a carried structure planned once you have become partner after ca. 5 years.

# Personal Rewards of a Career at Forum

We demand a lot of you when joining FORUM. **The rewards will outweigh your contribution whenever your personal value system fits the values within our firm:**

- a) Your key reward **will always be your satisfaction to have stretched the limits – of yourself and the art and science of value investing.** You will realize that you widen your understanding of business and investments significantly. To foster your personal growth, we are providing you with
  - Intensive **intellectual challenges** combined with **strong professional support**
  - The unbiased culture of an **independent buy-side investment firm.**
- b) You are part of a small team that has **established the track record to qualify as one of the most professional European value investing firms.**

# Contact Information

- To apply for a position at FORUM please **submit a CV and cover letter** to the following E-mail address:

[jobs@forumgruppe.de](mailto:jobs@forumgruppe.de)

- Your cover letter should address the following questions:
  1. What **motivates** you for an application?
  2. Do you possess **the skills and traits required for value investing**?
  3. How long and to what extent **have you been personally investing**?
  4. **Where in your career have you demonstrated passion and commitment for a cause?**
  5. **Will you be comfortable living in Munich - outside the leading financial centers** (some have referred to Munich as the Omaha of Europe).