JAMAICA

IOSCO 2017

Client Needs

1. Preserve Capital
2. Liquidity
3. Income
4. Growth
5. Tax Minimization

Wealth Creation

Successful investing requires:

- Framework
- Control of Emotions
- Access

Framework

1. Five Laws of Wealth Creation:

- Own a few high quality businesses
- Thoroughly understand these businesses
- Ensure these businesses are domiciled in strong, long-term growth industries
- Use other people's money prudently
- Hold these businesses for the long run

2. Successful people created their wealth through owning private businesses.

- The wealthy people's portfolio consists of private and public holdings

Attributes of Private vs. Public

Dimension	PRIVATE BUSINESS	PUBLIC BUSINESS
Ownership	Owner/Operator Heavily concentrated Personal identification	Operators are separated from Ownership Broadly dispersed Anonymous
Management Style	Autocratic Entrepreneurial Low turnover	Democratic Bureaucratic Higher turnover
Management Risk/Reward	Symmetrical	Asymmetrical
Time Horizon	Long	Short
Board Focus	Growth	Governance (Focus is on Risk and Compliance)
Valuation	Fundamentals – Customers, Sales, Market Share, Margins, etc.	Daily Mark to Market

Co – Invest !!!

Don't Just Invest…

Co-Invest!

The Future Value Formula[1]

$$FV=PV(1+r_{at})^n$$

$$r_{at}=r_{pt}(1-t)$$

r_{at} makes a big difference:

- $100,000 invested at 4% for 40 years leads to $480,102
- $100,000 invested at 8% for 40 years leads to $2,172,452
- $100,000 invested at 12% for 40 years leads to $9,305,097

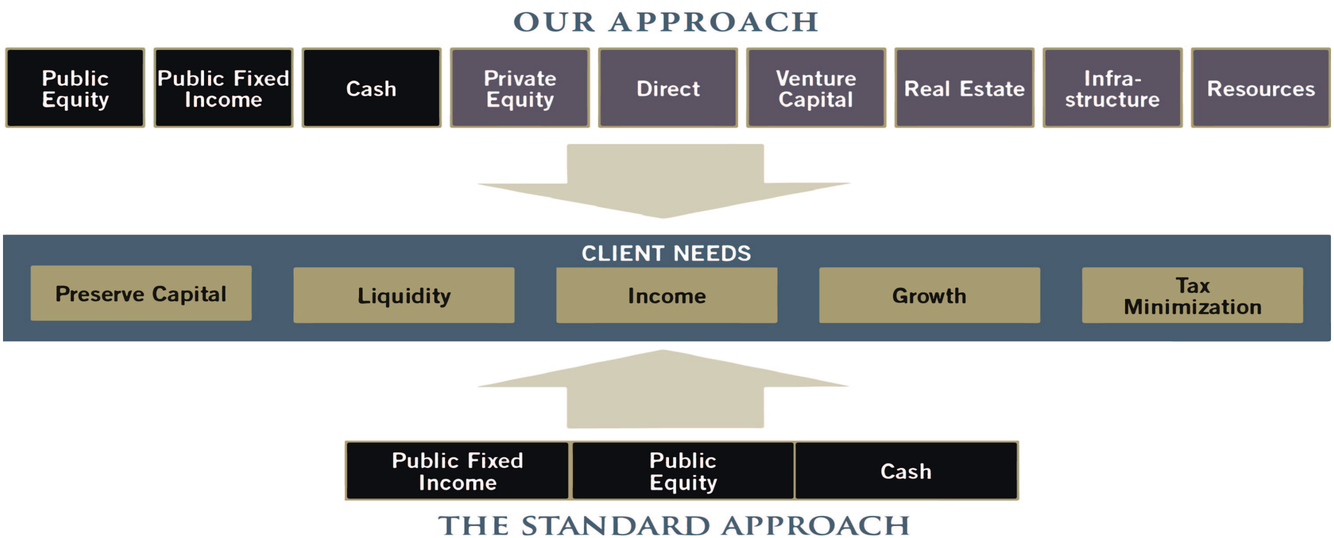
Capitalize on Inefficient Valuations[1]

Illiquidity discount ⇔Return premium

Metric	Company X - Public	Company X - Private
Earnings (per share)	$10.00	$10.00
Valuation (Price/Earnings)	10x	6x (40% discount - illiquid)
Earnings Yield (Earnings/Price)	10%	16.7%

- $100,000 invested at 10% for 40 years leads to $4,525,926
- $100,000 invested at 16.7% for 40 years leads to $47,629,013

The Optimal Portfolio



Disclaimers

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[1]Future value (FV) is the amount present value (PV) invested over a certain period of time (n), which is assumed to compound annually at an after-tax interest rate (r_{at}), where r_{at} is derived from the pre-tax interest rate (r_{pt}) net of tax

$FV=100,000*(1+0.04)^{40}=480,102$, where PV is the present value equal to 100,000, r_{at} equal to 4% (or 0.04) represents the after-tax interest rate that is invested within the 40 years time frame;
$FV=100,000*(1+0.08)^{40}=2,172,452$
$FV=100,000*(1+0.12)^{40}=9,305,097$

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[1]$FV=100,000*(1+0.1)^{40}=4,525,926$
$FV=100,000*(1+1/6)^{40}=47,629,013$

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