



# Dynamic Value Funds

True value investing

## A contrarian approach

The work of Dr. Benjamin Graham in analyzing businesses and **estimating intrinsic value** in order to **identify mispriced securities** is the mantra of hundreds of professional investors. Yet despite what is ultimately a set of simple goals, very few have the courage to put them into practice, year in and year out. It's this unwavering focus that sets the Dynamic Value team apart.

Our investment team is dedicated to generating superior, absolute returns through intense in-house research on a company-by-company basis. We apply a bottom-up investment approach that results in a concentrated portfolio of individual holdings, each selected for their distinct merits.

### Courage and conviction

The success of our contrarian investment strategy requires that we sometimes go against our gut reactions, the prevailing beliefs in the marketplace and the views of experts. Each and every time we make an investment decision, we do so confidently because we don't trust the stock market to correctly value all securities, all of the time.

### Finding value

We look at areas in the market where investors have suffered through a period of disappointment. Companies meeting our investment criteria have often experienced significant periods of business underperformance and, as a result, are subject to



widespread pessimism with respect to the future. Our interest is piqued by a lack of interest on behalf of stock market and financial analysts, which suggests that a company has disappeared off the radar screen of mainstream investors – a development that in our view represents an important indicator of potential value.

We step into investment opportunities when the "experts" suggest it is time to flee.

### Superior analysis and insight

Contrarian investing requires an understanding of investor psychology and the discipline to act on this insight. Behavioural research suggests that investors – professionals included – consistently overprice what they perceive to be the best investments and underprice those they believe to be the worst. They tend to overreact in both directions. While most investors find comfort in well-liked and widely accepted investment opportunities, we much prefer the out-of-favour and the unpopular.

## The contrarian investment process

### 1 Traditional indicators of value

We look for a number of metrics that have traditionally indicated value situations including:

- low price-to-cash-flow ratio
- low price-to-book-value ratio
- low price-to-earnings ratio
- attractive dividend policy

### 2 Cheap stocks are not always good investments

Because many companies will exhibit value characteristics at any point in time, traditional fundamental analysis is critical to distinguish those that merit an investment from those that may be inexpensive for good reason. Cheap stocks do not automatically qualify as good investments.

We take an in-depth view of each business to evaluate the strength of its financial position and the integrity and skill level of its management team. Overall, our evaluation is asset-oriented in order to ensure that, if purchased at the right price, our investments provide an adequate margin of safety.

### 3 Catalysts matter

Being too early to invest based on a favourable valuation is one of the most challenging and potentially costly considerations for value managers. We always look to identify catalysts that will unlock value in the company and increase the stock price. Catalysts that work to refocus investors on the upside of a company's valuation can include:

- hidden assets finally recognized by the market
- a change in the composition of the management team
- a profitable new venture
- a competitor exiting the business

### 4 Patience is important, so is knowing when to sell

We take a long-term view and our portfolio turnover is low, but when a superior investment opportunity is uncovered, we find a place for it in our portfolios. Our sell discipline begins every morning when we look at our portfolios and ask ourselves, "Would we buy each security again, today, in light of existing business and market conditions?"

# Dynamic Value funds

## CANADA

Dynamic Canadian Dividend Fund  
Dynamic Dividend Value Fund  
Dynamic Value Fund of Canada

## UNITED STATES

Dynamic American Value Fund

## REGIONAL

Dynamic European Value Fund  
Dynamic Far East Value Fund

## GLOBAL

Dynamic Global Dividend Value Fund  
Dynamic Global Value Fund  
Dynamic Global Discovery Fund

## BALANCED

Dynamic Value Balanced Fund  
Dynamic Global Value Balanced Fund

## CORPORATE FUNDS

Dynamic Canadian Dividend Class  
Dynamic Canadian Value Class  
Dynamic Value Balanced Class  
Dynamic Global Dividend Value Class  
Dynamic Global Value Class

For more information on how to position Dynamic Value funds within your clients' portfolios, contact your Dynamic Funds sales representative.

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