I. **Introduction, Opening Remarks**

II. **Investment Landscape, 15 Years in 15 Minutes**

III. **Bottom-Up Approach: Trouble is Opportunity**

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Templeton and Phillips Capital Management, LLC was originally founded as Templeton Capital Management in 2001 by Lauren Templeton with seed investment capital of $30 million from investment legend Sir John Templeton. The firm's leadership refined its investment strategy under the guidance of Sir John Templeton from 2001-2008, and the firm continues to reflect and model Sir John Templeton’s investment philosophy and processes.

In 2011, Templeton and Phillips expanded its international research efforts through a joint venture with Oxford Metrica, based in Oxford England. Oxford Metrica is led by Dr. Rory Knight, who prior to forming Oxford Metrica was the Dean of Templeton College (Oxford’s business school) at Oxford University, and prior to joining Templeton College Dr. Knight was a Deputy Director with the Swiss National Bank. Oxford Metrica has an extensive background in the research of neglected international securities, and its team exclusively supports the Templeton and Phillips investment management process focused on international equities.

Both Lauren Templeton and Scott Phillips are actively involved in the investment community, speaking regularly at investment conferences, as well as having authored several books on investing.

Independent and whenever necessary contrarian, the firm has evolved today into a value investment boutique that manages an AUM of approximately $200 million through private funds and separately managed account structures.
INTRODUCTION

\[ FV = P \left(1 + r\right)^Y \]
INTRODUCTION

“If you want to have a better performance than the crowd, you must do things differently from the crowd.”

Sir John Templeton
Current Markets Look More Like Trouble than Opportunity

- Major world currencies have become volatile and declined heavily versus USD
- Negative interest rates in Eurozone
- CAPE at 27x

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Where did it all begin?

In 2000, a noticeable change took place in the labor component to US GDP.

Historically, as the economy added units of labor it showed higher productivity based on a simple regression analysis.

Beginning in 2000, the correlation reversed, and as labor participation fell, productivity rose.
Where did it all begin?

In the late 1990s and early 2000s two economic factors coalesced to create an environment conducive towards higher structural unemployment:

1. Globalization

2. Technological Advances (Moore’s Law)
Monetary Policy Responses to Structural Unemployment

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Monetary Policy Responses to Structural Unemployment

= Unstable Financial Markets

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<th>Currency</th>
<th>Time Period</th>
<th>Loss</th>
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<tr>
<td>USD</td>
<td>July 2001-April 2008</td>
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<tr>
<td>USD</td>
<td>March 2009-April 2011</td>
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<td>JPY</td>
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<tr>
<td>EUR</td>
<td>May 2014-March 2015</td>
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12TH ANNUAL VALUE INVESTOR CONFERENCE

Value-Oriented Stocks have also Suffered

Category has underperformed since the end of the 2008-2009 financial crisis

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Post crisis, real share prices and real earnings moved together, until the Fed’s QE3 in late 2012, when share prices pulled away.

Although they are bound together over time, they can depart from one another for significant periods: difference is P/E.
The combined effect is that the market itself has also risen to a higher valuation, creating additional uncertainty.

Earnings need to accelerate with rates and inflation low:

Gordon Growth Model,

\[ P/E = 1 - b^* (1 + g) / r - g \]
“If you want to buy the same thing that is popular with your friends or popular with the investment security analysts, you can’t get a bargain. If you buy the same thing they buy you will get the same performance they get. If you are going to have a superior performance, you’ve got to buy what the other people are not buying or even what those are selling.”

“People are always asking me where the outlook is good, but that’s the wrong question. The right question is: Where is the outlook most miserable?”

“The only certainty about the future is the fact that it will be different from the past.”

Sir John M. Templeton
Where is the outlook worst…Maximum Pessimism?

- Financials reliant upon interest rates (spread income)
- Pro-cyclical: industrial, energy, basic material firms
- Emerging markets
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Past performance is not indicative of future results. This is not a recommendation to buy or sell any particular security or invest in a particular sector or industry. Please refer to the disclosure page at the end of this document.
Valuation Disparity Between the S&P 500 and the MSCI Emerging Markets Index Continues to Widen

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### The Combined Effect Leaves WH Group Valuation at the Bottom of its Global Peers

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<td>Pastoral &amp; Agricultural</td>
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<td>7.3x</td>
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<td>10.4x</td>
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<td>9.8x</td>
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<td>6.0x</td>
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</tbody>
</table>

**Average**

- **Curr. P/E**: 19.5x
- **Next P/E**: 17.4x
- **Curr. EV/EBITDA**: 10.8x
- **Next EV/EBITDA**: 10.0x

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Chinese pork consumption and production have historically been in balance, but in recent years consumption has outpaced production, and is forecasted to maintain a deficit.
Historically, China’s live hog prices have traded at a significant premium to US based prices. When the premium exceeds 60%, there is a strong profit incentive for US producers to export to China.

Source: Templeton & Phillips, Bloomberg, USDA, China Ministry of Agriculture
WH Group, The Bottom-Up Opportunity

Historically, Smithfield traded at a discounted valuation to US peers Tyson and Hormel, due to the commodity nature of its vertically integrated hog production business.

The operating profits of Smithfield’s hog production routinely swung to losses during industry periods of excess supply; going forward however, excess supply in the US hog production business will be exported to the Chinese operations; stabilizing SFD profitability in the

Source: Frost & Sullivan, Nomura research

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Today’s valuation demonstrates significant near-term pessimism towards the combined enterprise.

\[
\text{Equity Values} \quad \begin{align*}
\text{Shuanghi Development} & \quad \times 0.73 = \quad \$9,980.05 \\
\text{Smithfield Foods} & \quad \text{100\%} \quad \text{\$4,730.00} \\
\text{Sum} & \quad \text{\$14,710.05} \\
\text{WH Group} & \quad \text{\$8,902.45} \\
\end{align*}
\]

39.5% Discount

Source: Frost & Sullivan, Nomura research

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Thank You
Lauren C. Templeton is the founder and president of Lauren Templeton Capital Management, LLC; a value investing boutique located in Chattanooga, Tennessee. The company is the general partner to the Global Maximum Pessimism Fund.

Ms. Templeton received a B.A. in Economics from the University of the South. She is the president and founder of the Southeastern Hedge Fund Association, Inc. (www.sehfa.com) based in Atlanta, Georgia. In addition to these responsibilities Ms. Templeton also currently serves the following organizations: the Board of Trustees at the Baylor School, the Pre-business Advisory Council at the University of the South, Sewanee (Board Member) and, the Finance Advisory Board of the University of Tennessee Chattanooga.

Ms. Templeton is also an active member of Rotary International. She serves on the investment committee of Chattanooga Rotary Club 103 and the investment committee of Rotary International.

Lauren is the great niece of Sir John M. Templeton and is a current member of the John M. Templeton Foundation. The John Templeton Foundation was established in 1987 by renowned international investor, Sir John Templeton.

Lauren Templeton began investing as a child under the heavy influence of her father as well as her late great-uncle, Sir John Templeton. Lauren began her professional career working with managed portfolios and investments in 1998, beginning as a junior associate at the financial advisor Homrich and Berg and later the hedge fund management company New Providence Advisors both of Atlanta. In 2001, Lauren founded Lauren Templeton Capital Management, LLC which dedicates its efforts to the practice of value investing across the global markets using the same methods learned from her great-uncle, Sir John Templeton. Ms. Templeton is also the co-author of, *Investing the Templeton Way: The Market Beating Strategies of Value Investing Legendary Bargain Hunter*, 2007, McGraw Hill, which has been translated into nine languages.

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Scott Phillips

Scott Phillips is portfolio manager and head of research at Lauren Templeton Capital Management, LLC. Prior to working with Lauren Templeton Capital Management, LLC, Scott Phillips founded Cumberland Capital Corp, located in Chattanooga, TN. Founded in June 2004, Cumberland Capital provided equity research services to Green Cay Asset Management, a hedge fund management company located in Nassau, Bahamas. In this capacity with Cumberland Capital, Scott was the lead research analyst on the Siebels Hard Asset Fund a long/short equity fund managed by Green Cay Asset Management. In addition to consulting on this fund Scott also provided equity recommendations for the Green Cay Emerging Markets Fund.

Prior to consulting Green Cay’s funds Scott was employed as a research analyst with Green Cay beginning in January of 2004. Before joining Green Cay, Scott was an equity research associate analyst with SunTrust Robinson Humphrey (including its predecessor companies) in Atlanta GA from January of 1999 to December of 2003.


Scott received his B.A. from the University of the South.
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This is not an offer to sell, or a solicitation of an offer to purchase any fund managed by Lauren Templeton Capital Management ("LTCM"). Such an offer will be made only by an Offering Memorandum, a copy of which is available to qualifying potential investors upon request. An investment in a private fund is not appropriate or suitable for all investors and involves the risk of loss. It should not be assumed that any of the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance shown herein.

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Fund Performance presented is that of the Lauren Templeton Capital Management, LLC Global Maximum Pessimism Fund Offshore Founders Class Shares. The Founders Class is generally not available to most potential investors, but is presented because it represents the largest share class in the Fund. Other share classes have differing expense structures and their performance would be expected to be lower. Please read the Offering Memorandum for additional information.

Separately Managed Account performance information presented is based on a representative separately managed account in our Global Long Only Strategy. This account was selected as a representative account because it has the longest track record in our Global Long Only Strategy. Not every client's account will have these exact characteristics or the same performance. The actual characteristics and performance with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) timing of investment, (iii) investment restrictions applicable to the account, if any; and (iv) market exigencies at the time of investment. It cannot be assumed that another account would have the same performance or holdings even if following the same strategy.

Returns are presented net of investment advisory fees and include the reinvestment of all income. Net returns may be reduced by additional fees (outside of investment advisory fees) such as performance fees or transaction costs.

The comparative benchmarks represent past performance and are utilized on the statement solely for comparative purposes and are not indicative of future results. The MSCI ACWI (All Country World Index) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Hedge Fund Research Global Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry The volatility of these indices could be materially different from your portfolio. The indices do not reflect fees and expenses and they are not available for direct investment.

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