11th Annual
Value Investor Conference

The Stacey Muirhead Way

May 2, 2014
THE POWER OF TEAMWORK

“My presentation will be nothing but long, boring gibberish. It’s up to you to interpret it as informative and inspiring. That’s teamwork!”
Overview

- Boutique investment firm founded in 1994
- Independently owned and operated
- Based in Waterloo, Ontario
- Focused investment culture
- Thoughtful client structure
- Alignment of interests with investors
- Five employees
Investment Philosophy

*Multi-Strategy Approach*

- Long Term Investments
- Event Driven Investments
- Distressed Credit Investments
- Risk Mitigation Positions
- Cash and Cash Equivalents
Event Driven Investing

- Pursuit of profits from announced corporate events
- Mergers, tender offers, spin-offs, liquidations, reorganizations, etc.
- Evaluation based on probability of events occurring, time, opportunity cost, downside
- Results depend more on corporate activity than market behaviour
Event Driven Investing

- How likely is it that the promised event will indeed occur?
- How long will our capital be locked up?
- What chance is there that something still better will transpire?
- What will happen if the event does not take place?
Event Driven Investing

Brookfield Office Properties

Brookfield Property Partners

STACEY MUIRHEAD CAPITAL MANAGEMENT
Transaction Details

- Brookfield Property Partners (BPY) to buy remaining Brookfield Office Properties (BPO) shares
- $20.34 per share in cash or one unit of BPY
- Maximum of 33% in cash
- BPO Independent Committee and Board Approval
- No financing condition
- No regulatory approvals required
- No minimum tender condition
Key Considerations

- BPY already owned approximately 50% of BPO
- Definitive negotiated agreement
- “Any or all” tender offer
- Cash versus BPY units
- BPO shareholder base wants real estate exposure
- Difficulty in shorting BPY
- BPY dividend yield above 5%
Return Analysis

Cash Received: $20.34 \times 0.472 = $9.59

BPY Sale Proceeds: $18.89 \times 0.528 = $9.98

Dividend Received: $0.14

Price Paid: $18.36

Gross Profit: $1.35

Annualized Rate of Return: 7.35%

Purchase Dates: Jan 27-28/14

Holding Period: 58 days

Annualized Rate of Return: 46.3%
Event Driven Investing
Transaction Details

- Definitive merger agreement between Mallinckrodt (MNK) and Questcor (QCOR) on April 7th
- Transaction consideration is $30.00 per share in cash plus .897 of a share in MNK
- Unanimous board approval by both QCOR and MNK
- Shareholder approval required by both companies
- Debt financing commitment from Barclays
- Only major regulatory approval is HSR clearance
- Expected completion in Q3 2014
Key Considerations

- Shareholder approval required by both QCOR and MNK
- Debt financing commitment by Barclays
- QCOR “stigma”
- HSR clearance
- “Name brand” financial and legal advisors
# Return Analysis

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$30.00</td>
</tr>
<tr>
<td>MNK Shares</td>
<td>$55.21</td>
</tr>
<tr>
<td>Short Expense (2%)</td>
<td>($0.37)</td>
</tr>
<tr>
<td>QCOR Dividend</td>
<td>$0.30</td>
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<tr>
<td><strong>Total</strong></td>
<td>$85.44</td>
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<tr>
<td>Price Paid</td>
<td>$78.25</td>
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<tr>
<td>Gross Profit</td>
<td>$7.19</td>
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<tr>
<td><strong>Annualized Rate of Return</strong></td>
<td>9.18%</td>
</tr>
</tbody>
</table>

**Date of Purchase and Short Sale:** Apr 16/14  
**Holding Period – Aug 15/14 close:** 121 days  
**Annualized Rate of Return:** 27.7%
Benefits of Event Driven Investing

- Most transactions are uncorrelated with each other
- Returns depend on transaction completion, not on movement of equity markets
- Short completion time
- Multi-strategy benefits
Risks of Event Driven Investing

- Transactions can break for many reasons
  - financing
  - regulatory
  - anti-trust
  - MAC

- Probability based decision making process

- Any single transaction is a binary event

- Actuarial portfolio approach is needed

- A good batting average is critical
“I really didn’t say everything I said.”

Yogi Berra
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