

Motiwala Capital LLC

Adib Motiwala

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About Us

- Motiwala Capital LLC (www.motiwalacapital.com)
 - Registered Investment Advisor (RIA) in Texas
 - Founded in 2010
 - Managing clients capital since April 2011 (12 months completed)
 - Assets under management : ~ \$1Million (as of 3/31/2012)
 - Manage separate accounts
 - Value oriented strategy with focus on downside protection.
- About Me
 - MBA in Finance @UTD - 2010
 - MS in Comp Sc. @Texas A&M -2001

Investment Philosophy

- Value oriented, bottom up investing style
- Long Only (except in Arbitrage)
- Investing = Business Analysis + Financial Analysis + Behavioral aspects
- Buy good business at a bargain price
- Prefer companies with strong balance sheets, generating high ROIC and consistent FCF at a low valuation
- Don't use leverage
- Focus on absolute returns
- Always insist on a margin of safety
- Practice discipline and patience.

Investment Strategies

- Typical long equity investments (Good quality business at cheap valuation)
- Special Situations
 - Merger Arbitrage
 - Tender offers
 - Spin offs
 - Dual Share Class arbitrage
- Option enhancement via Covered Calls and Cash Covered Puts

Why invest with Us

- Independent and off wall street
- Focus on fundamental analysis
- Transparency – clients can see all positions, account value at any time
- Communication - trades, account statements, quarterly letters, blog
- Skin in the game - We invest along with you in the same investments
- No lock up period
- Low minimums
- Only asset management fee. No profit sharing. No other fees. (*broker commissions extra)

Comparison to other options

Why are we better than mutual funds / other options

- Focused portfolio – We own 20-25 positions. Compare to that to most mutual funds that own 100+ positions and are really closet indexers.
- skin in the game (manager has invested a six figure amount that is 90% of his liquid net worth in the same investments as his clients.)
- tax efficient (action in other accounts do not impact your taxes unlike a mutual fund)
- Low fees: no hidden fees such as 12b-1 fees charged by mutual funds
- no penalty to closing account (though we recommend 3 year investing horizon)
- Market Cap agnostic – We invest where we find value and not try to fit a style box.
- See http://www.spokefund.com/2011/03/spoke_fund_comparison_matrix/

Past idea: Big Lots (BIG)

- Big Lots, Inc., (BIG) is the nation's largest broadline closeout retailer.
- We purchased shares in Big Lots in Q2 2011 at an average purchase price of \$32. The company had a market cap of \$2400 million with 75 million shares outstanding. Big Lots had an excellent balance sheet with \$284 million in net cash (12% of market cap). With trailing EPS of \$2.85, BIG sported a P/E of 11 (ignoring excess cash) and EV/EBIT of 6x. Pre-tax return on Invested Capital (ROIC) averaged 30-32% for the last three years. Free Cash Flow (FCF) in the previous year was \$208 million.
- Clearly, Big was cheap on valuation, a good business as seen by ROIC and free cash flow and had an excellent balance sheet. The management team led by Steve Fishman had done a tremendous job since 2006. It checked all the boxes we look for in an investment. There was no identifiable catalyst in sight. As they say in India, it was just '*Sasta*' – or cheap.
- In FY 2011, BIG spent \$359 million on the repurchase of a whopping 11 million shares or 15% of the shares outstanding at an average price of \$32.8 per share. This gave a nice boost to EPS which came in at \$2.98 per diluted share. The EPS increase combined with the re-rating of the stock from 11x P/E to 15x P/E meant we had a nice 30% return on the stock (\$32 to \$45). We trimmed our position at \$41 and still hold a 3% position. We feel the company can reward share holders with a double digit returns going forward.