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Elite lessons on how to win the deep-value waiting game

Elite Investor Amit Wadhwaney explains how he has channelled the influence of renowned distressed assets investor Marty Whitman to achieve market-beating returns.

BY Miles Costello

All fund managers have their heroes of one sort or another. While some might get to meet theirs, a lucky few have the opportunity to work with them. Amit Wadhwaney went one stage further in getting to disagree with his, in person, albeit amicably.

Wadhwaney, who grew up in India before moving to the US and then Canada before returning to the US, first came across renowned deep-value investor Marty Whitman in a book about investing he read as an undergraduate.

The book, co-written by his mentor and Martin Shubik, a mathematical economist and expert in game theory, had an immediate effect on him.

'It was written in terribly turgid prose but it was unusually bright,' Wadhwaney said. 'I didn't have a background in accounting and I wasn't sure I understood more than a third, maybe 40%, of it, but the ideas stayed with me.'

This was 1979, while he was studying economics – one of his four degrees.

It was a full decade later, after having his appetite for investing further whetted during a stint on the pension fund committee of Canadian forestry products group Domtar and making a few ballsy stock calls while an analyst at brokerage Bunting Warburg, that Wadhwaney was to meet Whitman in person.

At the time, Whitman was making a name for himself, chiefly as a distressed debt investor in the small eponymous brokerage firm he had set up and was running with a team of friends and followers. Wadhwaney became a client and a year later was offered a job.

Meeting a hero

'MJ Whitman in those days was a very small firm and primarily a brokerage that Marty ran,' Wadhwaney said. 'He did a lot of distressed deals, lots of value on the equity side, and his forte was buying deeply distressed securities, debt usually, but sometimes equity as well. It was absolutely fascinating.

'I was the first equity analyst there. I became his research director and we set about trying to build a sell-side business. That was 1990 and the year he started his first fund: it was typical Marty, a hostile takeover of a closed-end fund.'

Wadhwaney stayed at the business for six years before the two men found themselves at odds over a Wadhwaney-conceived plan to launch a different kind of fund.

'I said: "What we do is very US-centric. We could do this outside the US to great benefit because we'd have limited competition." And Marty said: "No, it's not going to happen. If the US SEC [Securities and Exchange Commission] isn't there, I'm not going there."

'I said: "OK then; if I'm going to follow this dream, I'm going to have to do it on my own." And so I left. I was a partner, I was head of research, and I chucked it all to join a small firm called Carl Marks, the largest market maker of non-US securities in the US.'

The event offers an insight into the influence Whitman had on his protégé – the theme of distressed investing is writ large across Wadhwaney's portfolio – and illustrates a determination to break out of the US stock market and invest capital internationally, which is reflected in Wadhwaney's Moerus Worldwide Value fund's global remit.

The investors' disagreement over strategy caused no bad blood between them as they were to work together again at the end of the 1990s, this time at Whitman's new investment firm, Third Avenue. Wadhwaney brought with him the remains of a fund Carl Marks had decided to close after it suffered a tumultuous ride in the Asian financial crisis, a region to which it had become heavily exposed.

Wadhwaney stayed at Third Avenue for many years, setting up its international business and a string of new funds before leaving in 2015 to co-found Moerus Capital Management with two of his colleagues.

Elite credentials

The $83m Moerus Worldwide Value fund Wadhwaney manages was launched in 2016. The fund's diminutive size contrasts with its track record over recent years. Strong outperformance has led Citywire to identify Wadhwaney as an Elite Investor, among the top 3% of equity managers globally.

'We quantified what Marty had taught us into what we thought was a workable model in that we were very balance sheet focused – we call it asset-based investing,' Wadhwaney said. 'The idea is to focus on the here and now, on assessing the value of the company today and getting a sense of what the risks are. The business risks are what we are focused on. Price volatility doesn't faze us.

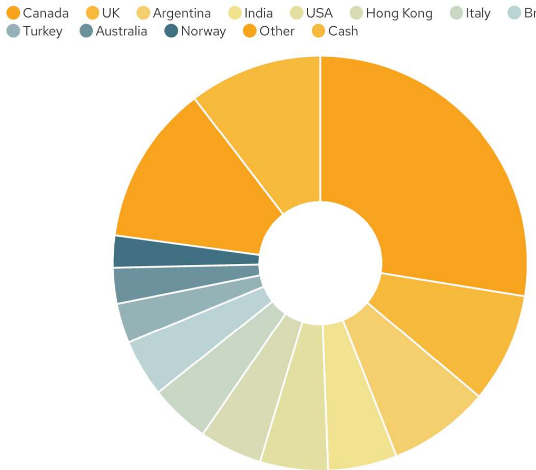
'It's quite simple. You buy something cheap based on the valuation right now. That, however, is going to be based on the balance sheet, typically… a liquidation-type balance sheet. It's inherently a much more conservative approach to valuing a business.'

The approach

In principle, the approach of the global fund, which is not tied to any geography or index, is to search for companies whose shares are trading at a deep discount, either to intrinsic valuation or relative to its peers. At the same time, Wadhwaney is looking for cash-rich businesses with healthy balance sheets and robust business models that are capable of trading their way out of the doldrums.

He eschews data-crunching 'statistical screens' – 'if you look under the same rocks

Where Wadhwaney invests



Source: Moerus Funds • as of 30 June 2024

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as everyone else, you're going to wind up with the same portfolio, and we don't'. He also largely ignores macroeconomic forecasting, except when using 'plausible worst-case scenarios' to stress-test a business's ability to withstand shocks.

The result in practice has been a fund whose biggest geographical exposures are to Canada, the UK and Argentina, and whose heaviest sector holdings are in financial services, energy, business materials and banks. These are certainly not the same rocks turned over by other global funds, which typically have significant exposure to the US and technology.

It has also led the fund to place bets on some companies trading at deeply distressed valuations.

'It could be a good company that slips on a banana peel; something terrible happens to the company that makes it very cheap. The important thing is whether it's transitory or something that's going to result in a permanent impairment of capital. We try to avoid that risk.

'What attracts us is the valuation. What causes the recovery could be self-help or a change in the environment or the structure of the industry.'

The picks

Examples of distressed valuations come thick and fast from the portfolio's top holdings. In the UK, for example, there's Hammerson (GB:HMSO). The shopping centre owner saw its tenants' businesses upended by online competition before it spiralled into crisis following the collapse of two prospective merger deals followed by the pandemic.

Another top UK holding is John Wood Group (GB:WG). The oil services and consulting group has had to rethink its strategy in light of the transition to renewable energy. It has also lost several potential bidders, including Apollo Global Management and, earlier this month, Dubai-based trade rival Sidara.

In Argentina, the fund owns Grupo Financiero Galicia (ARG:CGAL). The bank is active in an economy that slid into recession at the beginning of the year and suffers chronic hyperinflation.

Also in Argentina, Despegar.com (US:DESP) is a US-listed, Buenos Aires-based online travel agent. Its business went into seizure when pandemic-induced lockdowns brought an end to holiday-making across most of Latin America.

Wadhwaney positively revels in the fund's deeply troubled recovery plays. He expects these bets to take three to five years, sometimes longer, to come good.

'To get things as cheaply as we want, we have to be willing to wait for things to change – things surrounding the company, the industry, the governance, political landscape, whatever. Something has to change but that can take a long time.'

Patient profits

The rewards for Wadhwaney's patience are often substantial. His holding in Hammerson, for example, is comfortably in the black, and he will shortly benefit from its return of up to £140m to shareholders through a stock buyback following the sale of its holding in Value Retail, the owner of Oxfordshire cut-price designer goods shopping centre Bicester Village.

He is also sitting on a healthy paper profit from his holding in Grupo Financiero Galicia, whose shares have popped since it bought HSBC's local business earlier this year in a deal worth $550m. 'If you look at the chart of Grupo Financiero Galicia… I mean, it's doubled and doubled again,' Wadhwaney said.

The fund's Canadian holdings

Moerus Worldwide Value top 10 holdings

Name	Elite Companies rating	Fwd PE (+12mths)	F'cst DY (+12mths)
International Petroleum Corp. (TSE:IPCO) - 3.8%	AA	11.4	-
Hammerson plc (GB:HMSO) - 3.1%	AA	13.6	5.7%
John Wood Group PLC (GB:WG) - 3.1%	AA	13.1	0.4%
Turkiye Sigorta A.S. (IST:TURSG.E) - 3.1%	AA	3.9	2.9%
Jefferies Financial Group Inc. (USA:JEF) - 3%	A	14.6	2.5%
Despegar.com, Corp. (USA:DESP-) - 3%	AA	10.7	0.7%
Wheaton Precious Metals Corp (TSE:WPM-) - 3%	AA	37.2	1.1%
Teck Resources Limited Class B (TSE:TECK.B-) - 3%	AAA	25.5	1.2%
Dundee Corporation Class A (TSE:DC.A-) - 2.9%	A	-	-
Grupo Financiero Galicia SA Class B (BUE:GGAL-) - 2.9%	AA	7.3	4.3%

Grupo Financiero Galicia has rocketed

Source: Factset

tell a similar story. They are essentially a group of oil and gas assets that were among Wadhwaney's first investments during the early life of the fund. They include explorer and developer International Petroleum Corp (CAN:IPCO) and Wheaton Precious Metals (CAN:WPM), a 'streaming' company that processes precious metals produced by other miners as a byproduct of their core operations.

The Canadian holdings also include Teck Resources (CAN:TECK), a copper and zinc miner Wadhwaney bought into after it sold its steelmaking coal division earlier this year to a consortium led by FTSE 100 miner Glencore (GB:GLEN) for $9bn.

'Teck was for a number of years three businesses – the oil sands business, nasty nasty, and the metallurgical coal business. This is one of the best-quality met-coal producers in the world, with low ash, carbon and sulphur content.

'They got rid of the oil sands business, then they announced they were going to separate out and sell their metallurgical coal business. With that, and when the deal was struck with Glencore as a purchaser, that was our entry point. We bought Teck with a view that it was becoming a purely base metal producer, focused primarily on copper, secondly on zinc.'

One of the most profitable Canadian positions has been Wheaton, which Wadhwaney bought when the price of gold was falling hard and local resources companies were battling problems at their production sites, including in one case a mine that ran out of water.

'Wheaton was a similar story,' Wadhwaney said. 'It was not doing very well in terms of prices, and some of the mines were really stressed. Production was postponed, and so on.'

When the fund bought in, in August 2016, the shares were trading for almost exactly CA$30. Last month, with the company's production problems far behind it and the gold price racing ahead, the shares touched a record of just under CA$85.

While the contents of the portfolio, to use Wadhwaney's words, might look 'kind of weird' to some observers, his approach proves that one person's trash really can be another's treasure.

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Trailing Returns (as of March 31, 2026)	Year to Date	One Year	Three Years	Five Years	Since Inception[1]
Moerus Worldwide Fund (Inst.)	5.23%	42.36%	27.79%	19.54%	11.67%
MSCI All Country World Index ex USA (Net)[2]	-0.71%	24.91%	14.49%	7.02%	8.43%
MSCI All Country World Index (Net)[3]	-3.20%	20.01%	16.58%	9.49%	11.36%

Gross Expense Ratios: Class Inst.: 1.31%; Class N: 1.56%   Net Total Expense Ratios*: Class Inst.: 1.26%; Class N: 1.51%

1. *Inception date of the Moerus Worldwide Fund is June 1, 2016.*
2. *The MSCI All Country World Index ex USA (Net) is an unmanaged index consisting of 46 country indices comprised of 22 of 23 developed markets (excluding the US) and 24 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is shown solely for comparison purposes and the underlying holdings of the Index may differ significantly from the portfolio. The Index is a trademark of MSCI Inc. and is not available for direct investment.*
3. *The MSCI All Country World Index (Net) is an unmanaged index consisting of 47 country indices comprised of 23 developed and 24 emerging market country indices and is calculated with dividends reinvested after deduction of withholding tax. The Index is shown solely for comparison purposes and the underlying holdings of the Index may differ significantly from the portfolio. The Index is a trademark of MSCI Inc. and is not available for direct investment.*

**Moerus Capital Management ("Moerus"), as registered investment adviser of the Moerus Worldwide Fund, has contractually agreed to reduce its fees and/or absorb expenses of the Fund, until at least March 31, 2027, to ensure that total annual fund operating expenses after fee waiver and/or reimbursement (exclusive of any taxes, brokerage fees and commissions, borrowing costs, acquired fund fees and expenses, fees and expenses associated with investments in other collective investment vehicles or derivative instruments, or extraordinary expenses such as litigation) will not exceed 1.25% for Institutional Class Shares and 1.50% for Class N. Acquired fund fees are estimated to be 0.01% and are included in the net total expense ratio. Please see the current prospectus for additional information.*

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. Returns are shown net of fees and expenses and assume reinvestment of dividends and other income. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Investment performance reflects expense limitations in effect. In the absence of such expense limitations, total return would be reduced. For performance current to the most recent month-end, please call 1-844-MOERUS1.

Current and future portfolio holdings are subject to change and risk.

Top ten holdings as of 3/31/26 as a % of the Fund's net assets: Natura Comsmeticos (5.81%), Greenfire Resources Ltd (4.27%), Dundee Corp (3.60%), International Petroleum Corp (3.50%), Nutrien Ltd (3.14%), Aker ASA (3.12%), Exor NV (3.06%), Valterra Platinum Ltd (3.03%), Cromwell Property Group (3.02%), and Midland Holdings Ltd (2.88%).

Click here for a current Fund factsheet: www.moeruscap.com/literature/.

Risk Disclosure:
Investing in Mutual Funds involves risks including the possible loss of principal and there can be no assurance that any investment will achieve its objectives. International and, in particular, emerging country and frontier market investing involves increased risk and volatility due to currency fluctuations, economic and political conditions, and differences in financial reporting standards. Value investing involves the risk that an investment made in undervalued securities may not appreciate in value as anticipated or remain undervalued for long periods of time.

You should carefully consider the Moerus Worldwide Fund's investment objectives, risks, charges, and expenses carefully before you invest. This and other important information about the Funds are contained in the prospectus, which can be obtained by calling 1-844-MOERUS1 or visiting www.moeruscap.com. The prospectus should be read carefully before investing.

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