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Robotti & Company Advisors Sees Value In Patience

Robotti & Company Advisors focuses on patience in its investing and in its business.

The firm, founded in the 1980s and boasting a domestic small- to mid-cap value equity track record dating back to 1993, has developed an investment process that looks to take long-term views on companies both from an investment and research standpoint.

"A company we may be investing in today we frequently have followed for 20 years," says Bob Robotti, president and portfolio manager of the New York-based firm. "That has been a rich historical trove of information for us."

The firm now has over $543 million in assets under management, with institutions making up approximately 10% of the plan's assets.

"In many ways, we are kind of like an emerging manger that also has the benefits of being a well established firm," he said. "From a risk point of view, there is nothing new about us. From a reward point of view, the amount of assets we manage are clearly below our capabilities."

Those capabilities include three-year returns of 28.40%, compared to a 27.08% return by the Russell 2500 Value Index, five-year returns that exceed the index by just under 5% and a return since inception in January 1993 of 14.86%, compared to 10.88% by the index over the same time period.

The investment process looks to identify companies that are significantly undervalued either because of a company event or industry event that is causing short term concerns about the business. It also seeks out companies that have gone through a difficult process that has been cathartic or firms that Robotti believes are undervalued because of a transitory event and provide a long-term opportunity through significant growth.

Shaleen Patel, managing director at Robotti, explained that the firm tends to take contrarian views and looks to identify opportunities that are not getting attention.

"We tend to look under rocks," he said of the six member investment team.

"Bob's thought process is to say, you go out and hunt for what is an interesting opportunity and discuss as a team," he said.

The process begins with a standard quantitative assessment of the market to identify companies with attractive valuation metrics such as price to free cash flow.

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> **Bob Robotti**
> *President & Portfolio Manager*
> *Robotti & Company Advisors*

From there, the firm goes into a "deep dive" fundamental analysis that attempts to identify why a company's value is not reflective in its stock price as well as hidden assets or hidden growth opportunities that are not apparent at first glance.

"The problem with doing screening today is that we are looking for companies that are in difficult environments," Robotti said, explaining that without a historical perspective, it is difficult to grasp a company's true potential.

"They are looking at today's distressed (opportunities) and they are not looking back to the company's median," he said of other value investors.

The firm takes an initial position size of 1% to 3% in a company and has a relatively concentrated portfolio that will hold between 30 to 40 names at any given time, with the top 10 positions representing the majority of the holdings.

To assist with the marketing efforts, Patel was brought on a year ago.

"What is interesting is that for that entire period of time, there was virtually no marketing effort here. The assets we have now are basically from word of mouth," he said.

Patel said he began external marketing efforts about three or four months ago and has been exploring the emerging manager space as well as meeting with consultants, endowments and family offices.