

Q&A on the discount to net asset value

Published 2012

How do you feel about the discount – what will you do to get it down?

Our focus as a long-term owner is to make sure our holdings develop favorably and thus to grow our net asset value. This is what we can influence directly. However, the stock market sets the discount. The discount has fluctuated between 20 and 40 percent since 1916 with an average of just under 30 percent. We see no sustainable way to get the discount down apart from liquidating Investor in full or partially through large capital distributions and buy-backs. This is a path that the board of directors is not willing to go down. In addition, the main value driver in Investor for long-term shareholders is not the discount but the growth in our net asset value and the dividend we distribute.

Will the strategy update you did 2011 lead to a lower discount?

The strategy update was not made with the purpose of getting the discount down. The discount is set by the stock market. Our belief is that our simplified structure, with its lowered management costs, improves our ability to generate future growth in net asset value and generate a strong cash-flow, which in turn provides the basis for a steadily rising dividend. Over time, we believe that a positive side-effect of this strategy is a structurally lower discount.

Is the high discount a sign of lack of confidence in the management team of Investor?

The discount has fluctuated between 20 and 40 percent since 1916, and we see no sustainable way to get the discount down apart from liquidating Investor or potentially completely change strategy to a buy-to-sell approach. This is a path we are not willing to go down.

Isn't investing in your own portfolio by buying back shares the ultimate investment opportunity for you?

Buy-back of own shares does not have a lasting effect on the level of the discount, unless it is the beginning of a liquidation of the company. This is a path we are not willing to go down.

Do you care about shareholders who have a short ownership horizon?

We have a clear strategy which is to build companies with a long-term perspective and thereby grow our underlying net asset value. We believe that our simplified structure, with its lowered management costs, improves our ability to generate future growth in net asset value and generate a strong cash-flow, which in turn provides the basis for a steadily rising dividend. This is our clear objective, and something we believe is attractive to many different types of shareholders. Those who expect us to take short-term actions to temporarily push the discount down has the wrong expectations. We have a clearly stated strategy and clear objectives that are communicated continuously. There will be investors who are compelled by this strategy and those who are not.