



Presented by:
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Presentation
Texas Lutheran University
September 21, 2012



CENTURY MANAGEMENT

Value Investing Since 1974

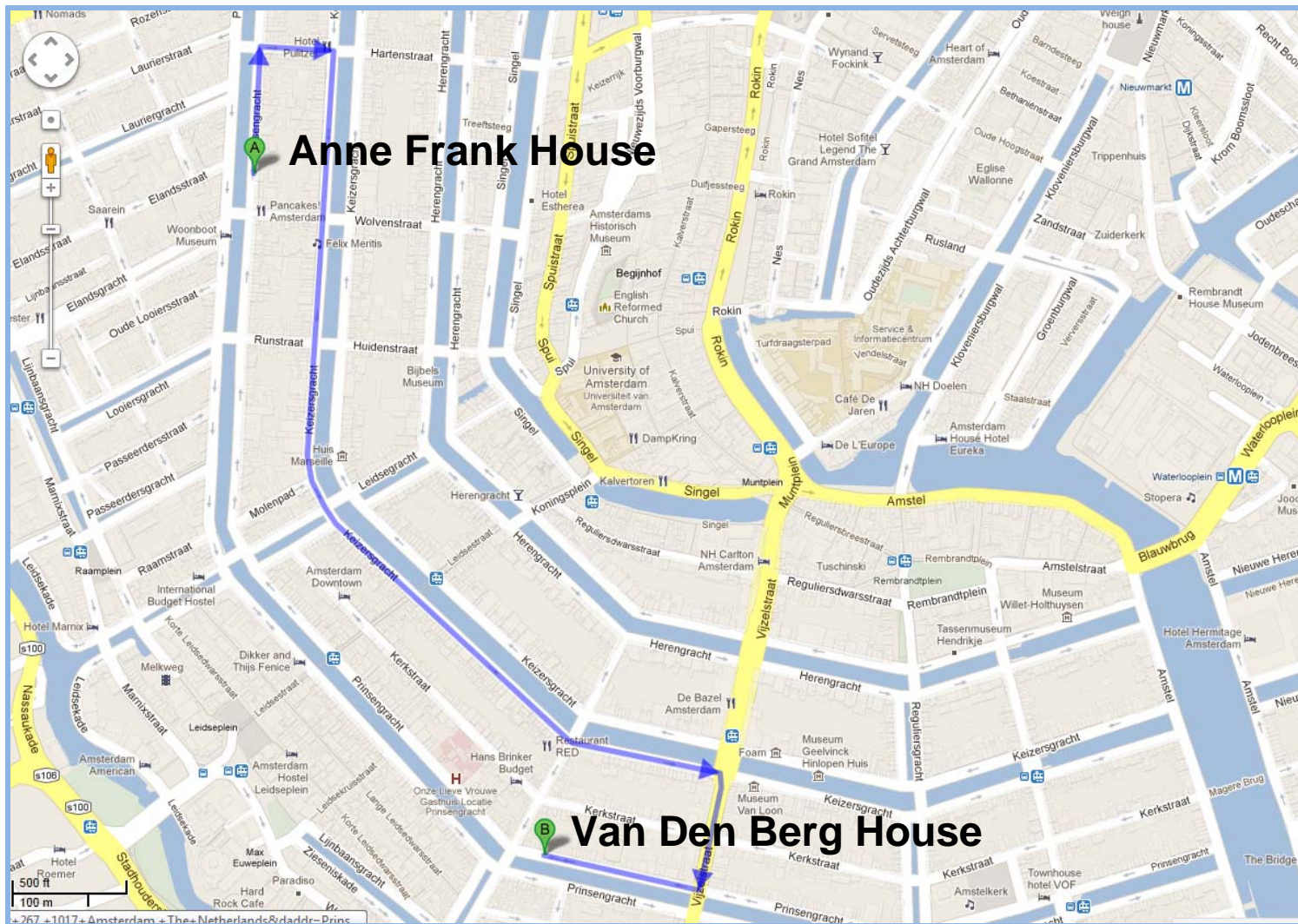


Arnold Van Den Berg
Chief Executive Officer
Co-Chief Investment Officer
Portfolio Manager

Childhood Home, Amsterdam



Prinsengracht 823, 1017 Amsterdam



Google
maps

Anne Frank Museum

- Mamlök-Stössel, Gertrud. 11-4-1887 Inowrazlaw, vermist.
- Man de, Cornelis Willem Leendert. 24-5-1912 Rotterdam, 23-12-1942 Auschwitz.
- Manasse, Adolf. 18-7-1881 Renkum, 25-1-1943 Auschwitz.
- Manasse, Eduard Louis. 14-10-1895 Renkum, 19-10-1942 Duitsland*.
- Manasse, Emanuel. 21-11-1882 Renkum, 9-4-1943 Sobibor.
- Manasse, Emanuel Alexander. 11-11-1883 Arnhem, 10-9-1943 Auschwitz.
- Manasse, Heinrich. 25-11-1893 Berlijn, 28-2-1945 Midden-Europa.
- Manasse, Jacob Rudolph. 5-6-1879 Renkum, 4-6-1943 Sobibor.
- Manasse, Jeannette. 3-5-1881 Arnhem, 13-11-1942 vermist*.
- Manasse, Stephan. 28-2-1900 Schroda, 2-2-1945 Gross-Rosen*.
- Manasse-Hartogsohn, Fanny. 14-5-1885 Emden, 9-4-1943 Sobibor.
- Manasse-Kaufman, Sophia. 28-7-1900 Arnhem, vermist.
- Manasse-Parsser, Elisabeth. 11-5-1892 Amsterdam, 4-6-1943 Sobibor.
- Manasse-Steinthal, Hermine. 25-6-1870 Maagdenburg, 7-7-1944 Auschwitz*.
- Manasse-Trijbetz, Grietje. 3-5-1888 Alkmaar, 10-9-1943 Auschwitz.
- Manasse-Vilbach, Branca. 10-12-1886 Amsterdam, 13-11-1942 Auschwitz.
- Manassen, Bernard. 9-5-1902 Rotterdam, 16-7-1943 Sobibor.
- Manassen, Estella. 7-10-1923 Elst, 5-2-1943 Auschwitz.
- Manassen, Eugenius Rudolph. 9-6-1883 Elst, 30-11-1943 Dorohusk.
- Manassen, Falk. 25-11-1898 Rotterdam, 30-9-1942 Auschwitz.
- Manassen, Heiman Adolf. 2-10-1901 Alphen a/d Rijn, 2-7-1943 Sobibor.
- Manassen, Heintje. 23-12-1931 's-Gravenhage, 16-7-1943 Sobibor.
- Manassen, Hendelina Regina. 4-4-1930 's-Gravenhage, 16-7-1943 Sobibor.
- Manassen, Isaäc Bernard. 11-1-1941 Rotterdam, 16-7-1943 Sobibor.
- Manassen, Jozef Salomon. 22-2-1899 Alphen a/d Rijn, 4-6-1943 Sobibor.
- Manassen, Machiel Levi. 25-6-1897 Alphen a/d Rijn, 30-9-1942
- Mandel-Salomon, Sophie Maria. 30-12-1891 Frankfurt/Main, 21-5-1943 Sobibor.
- Mandelberg, Elkan. 14-2-1877 Javoslau, 11-12-1942 Auschwitz.
- Mandelberg-Melawer, Marie. 10-6-1875 Eberswalde, 11-12-1942 Auschwitz.
- Mandelberg recte Weingarten, Arnold. 17-8-1939 Amsterdam, vermist.
- Mandelberg recte Weingarten, Hugo. 23-4-1909 Berlijn, vermist.
- Mandelberg recte Weingarten, Sigmund. 11-9-1936 Amsterdam, vermist.
- Mandelberg recte Weingarten-Feldstein, Machla. 25-6-1907 Manasterz, vermist.
- Mandelkern, Alfred. 14-3-1941 Amsterdam, 17-7-1942 Auschwitz.
- Mandelkern, Benno. 23-5-1902 Sanok, 30-9-1942 Auschwitz.
- Mandelkern, Chaim. 19-9-1893 Sanok, 17-9-1943 Auschwitz.
- Mandelkern, Hersch. 15-6-1904 Sanok, 31-3-1944 Polen.
- Mandelkern, Rosine. 24-4-1929 Amsterdam, 17-9-1943 Auschwitz.
- Mandelkern, Samuel Leib. 31-5-1866 Mosciska, 14-5-1943 Sobibor.
- Mandelkern-Brandon, Judith. 18-1-1896 Amsterdam, 17-9-1943 Auschwitz.
- Mandelkern-Moszka, Rachela. 1869 Sanok*, 14-5-1943 Sobibor.
- Mandelkern-Ritter genaamd Krieger, Rachel. 1-1-1909 Keulen, 17-7-1942 Auschwitz.
- Mandellaub, Lazarus. 25-10-1879 Kolomea, 5-3-1943 Sobibor.
- Mandellaub-Laser, Feiga. 13-5-1885 Kolomea, 5-3-1943 Sobibor.
- Mandl, Ernst Alexander. 16-1-1893 Raab, 30-9-1942 Auschwitz.
- Mandler, Helena. 19-4-1898 Ersekujvar, 21-9-1942 Auschwitz.
- Manheim, Abraham. 7-7-1882 Amsterdam, 19-2-1943 Auschwitz.
- Manheim, Abraham. 7-9-1915 Rotterdam, 28-2-1943 Auschwitz.
- Manheim, Abraham. 14-11-1921 Rotterdam, 21-1-1945 Blechhammer.
- Manheim, Betsy. 22-11-1881 Den Helder, 26-2-1943 Auschwitz*.
- Manheim, Catherine. 8-1-1932 Amsterdam, 12-8-1942 Auschwitz.
- Manheim, Charles Max Herman. 27-8-1912 Amsterdam, 14-8-1942 Auschwitz.

The Good News

*Everyone has inside of him a piece of good news.
The good news is that
you don't know how great you can be!
How much you can love!
What you can accomplish!
And what your potential is!*

~Anne Frank

Start-up Funding for Century Management

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DATE 11-6-70

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ARNOLD VAN DEN BERG
EILEEN VAN DEN BERG
1888 CENTURY PARK E, SUITE 410
CENTURY CITY, CALIF. 90067

502

8-18 1974 ¹⁶⁻¹⁰⁵/₁₂₂₀

PAY TO THE
ORDER OF

Eileen Van den Berg \$250,000

Two Hundred and fifty Thousand DOLLARS

LOS ANGELES MAIN OFFICE

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MEMO

*SOMETHING
YOU LIKE*

Arnold van den Berg

⑆ 1220 0005 32 20323 8 ⑆

Waldorf Astoria, New York



No One Believed He Had a Chance, but Billy Mills Surprised the World



Cisco – CM's Recession Model

Per Share	Free Cash Flow	Earnings
Current	\$2.10	\$1.95
Recession	\$1.40	\$1.45
Potential Decline		-26%

- Last recession earnings dropped from \$1.31 to \$1.05 = 20% decline.
- Our current worst case accounts for a potential 26% decline.
- Our current worst case is 30% greater than last recession.

Source: Century Management. Please see disclosures at the end of this presentation.

Cisco – Current CM Price Points

Worst Case	\$15
Buy Point	\$19
Fair Value	\$26
Sell Point	\$33
Private Market Value	\$36
Reward to Risk Ratio	3.5 to 1

Source: Century Management (“CM”). Past performance of markets, strategies, composites, or individual securities is no guarantee of future results. The numbers shown above represent forward-looking beliefs, assumptions, and opinions that are based on CM’s current beliefs, expectations, estimates, projections, and assumptions. These beliefs, expectations, estimates, projections, and assumptions are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking numbers. You are cautioned not to place undue reliance on these forward-looking numbers, which reflect CM’s judgment only as of the date hereof, August 2012. CM disclaims any responsibility to update its views, as well as any of these forward-looking numbers to reflect new information, future events or otherwise. Please end of presentation for additional disclosures.

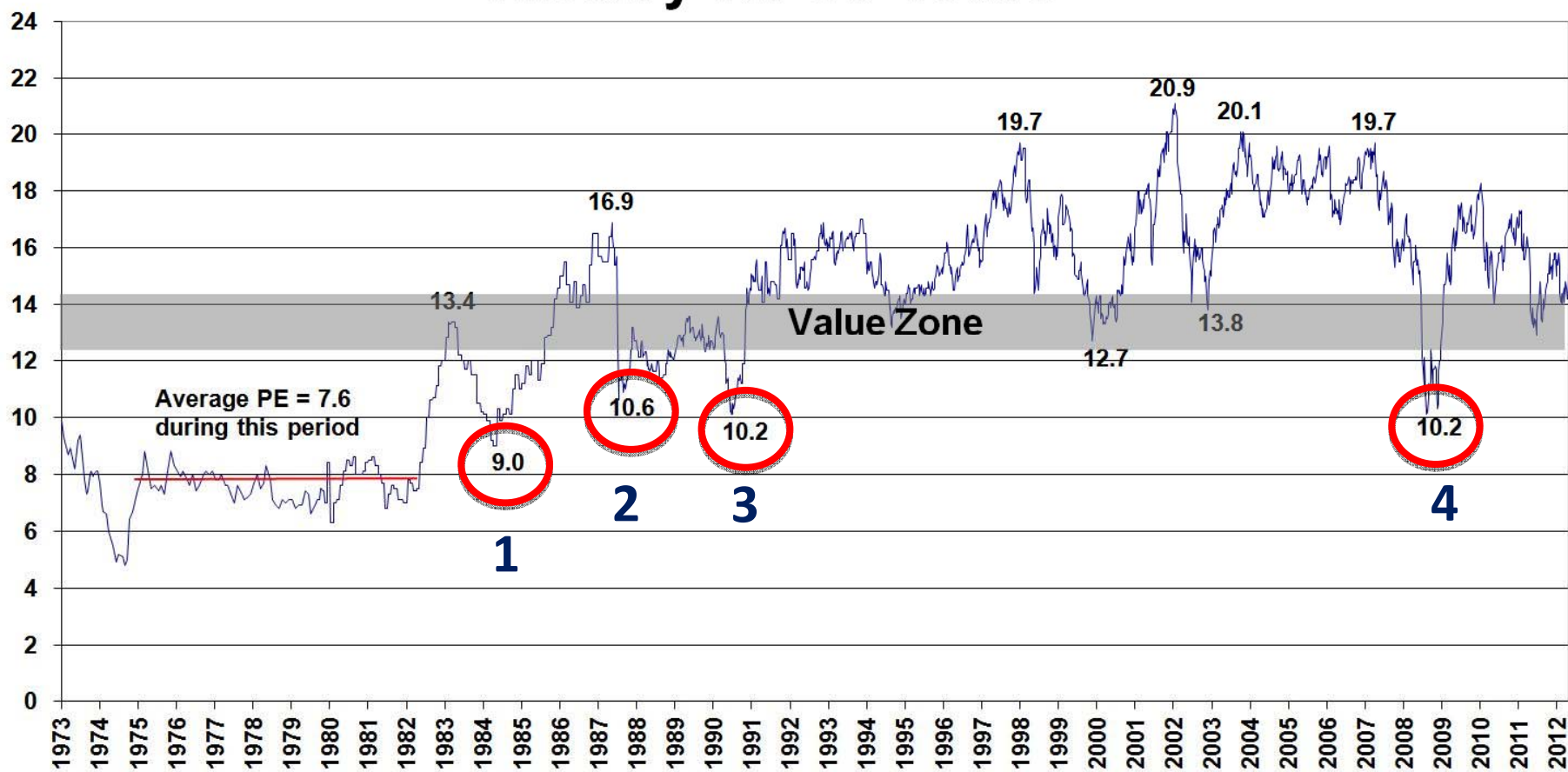
Cisco – Current CM Price Points

CM Bought Cisco Mar 2012	\$16 (Average Price)
CM Worst Case as of Mar 2012	\$14
Actually Dropped to	\$13.3
Current Price (9/13/12)	\$19
Risk to CM Worst Case	\$4 or 21%
Upside to CM Sell Point	\$14 or 74%
Reward to Risk	3.5 to 1

Source: Century Management (“CM”). Past performance of markets, strategies, composites, or individual securities is no guarantee of future results. The numbers shown above represent forward-looking beliefs, assumptions, and opinions that are based on CM’s current beliefs, expectations, estimates, projections, and assumptions. These beliefs, expectations, estimates, projections, and assumptions are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking numbers. You are cautioned not to place undue reliance on these forward-looking numbers, which reflect CM’s judgment only as of the date hereof, August 2012. CM disclaims any responsibility to update its views, as well as any of these forward-looking numbers to reflect new information, future events or otherwise. Please end of presentation for additional disclosures.

Historical Price Earnings (P/E)

Value Line 1700 Median PE History for 39 Years



Source: Value Line

Value Line Historical Price Earnings (P/E)

Over The Past 1,546 Weeks, *Almost 30 Years...*

Value Line Median P/E	Weeks Spent <u>In</u> Value Zone	Percentage of Time <u>In</u> Value Zone
10 x	18	1.2%
10 to 11 x	66	4.2%
11 to 12 x	142	9.2%
10 to 12 x	208	13.5%

Source: Value Line. Numbers have been rounded. This data covers a period of 1,546 weeks ended August 31, 2012.

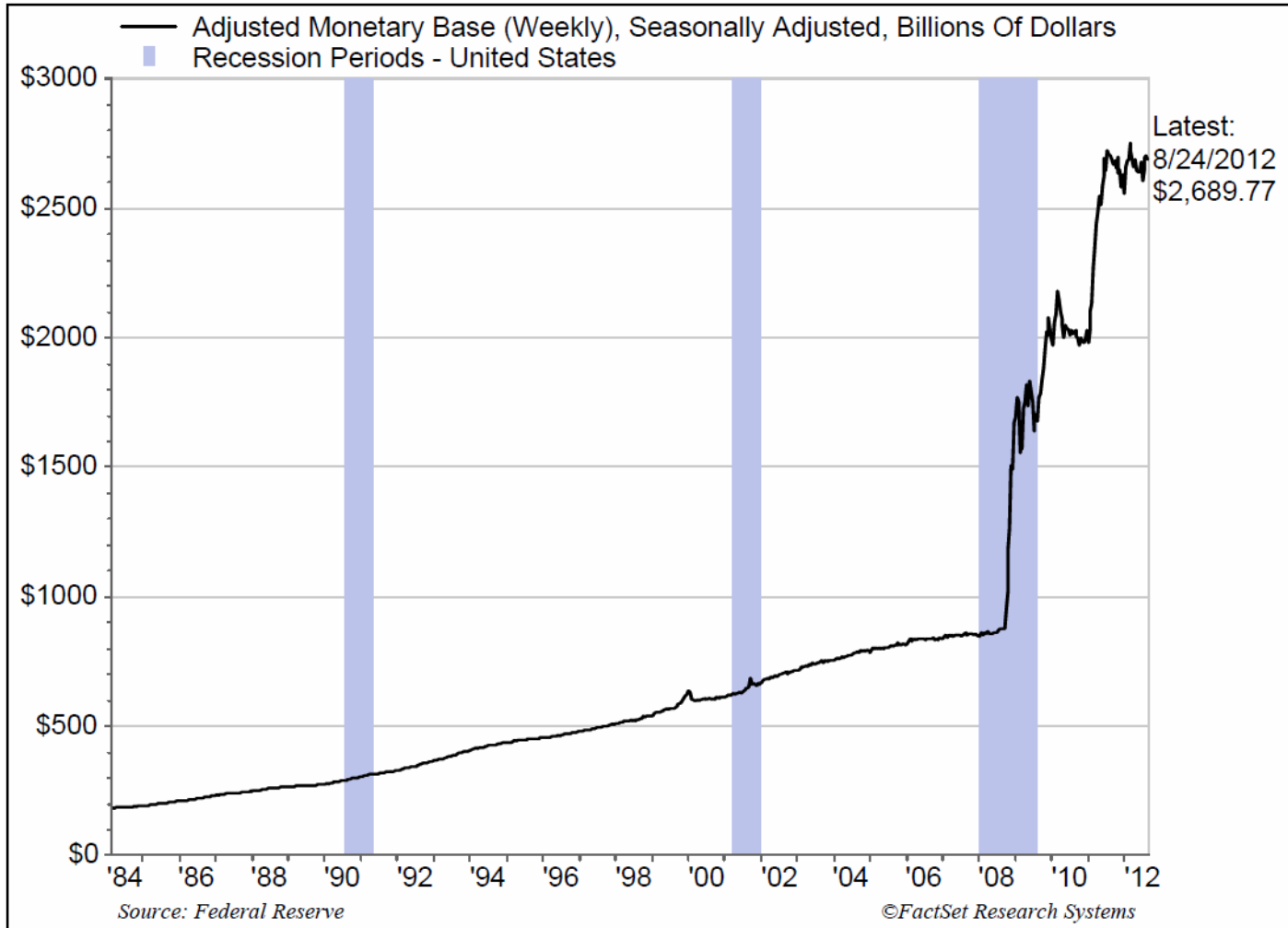
Value Line Historical Price Earnings (P/E)

Over The Past 1,546 Weeks, *Almost 30 Years...*

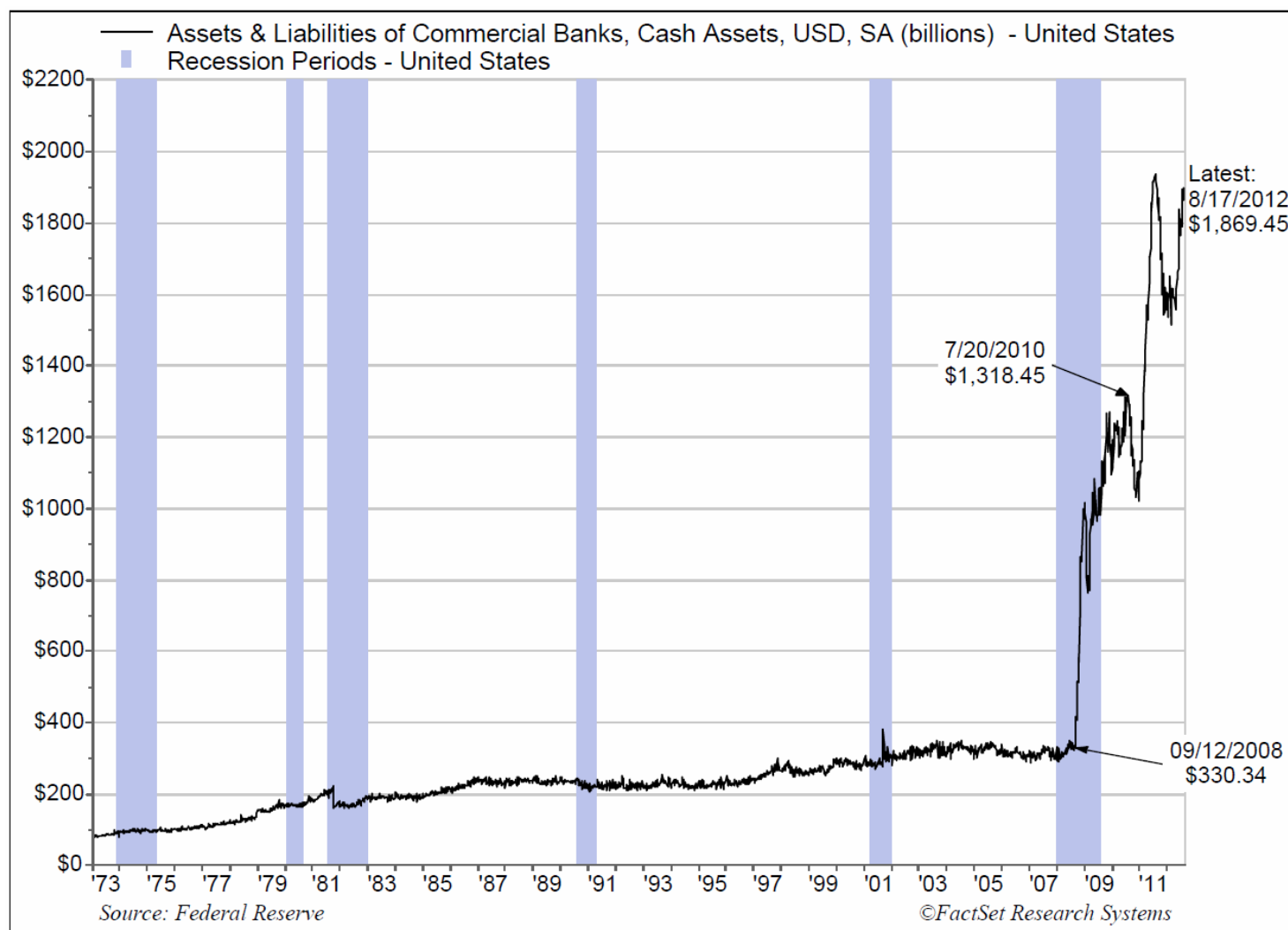
Value Line Median P/E	Time Spent <u>In</u> Value Zone	<u>Higher</u> Than Value Zone
12 x	13.5%	86.5%
11 x	4.2%	95.8%
10 x	1.2%	98.8%

Source: Value Line. Numbers have been rounded. This data covers a period of 1,546 weeks ended August 31, 2012.

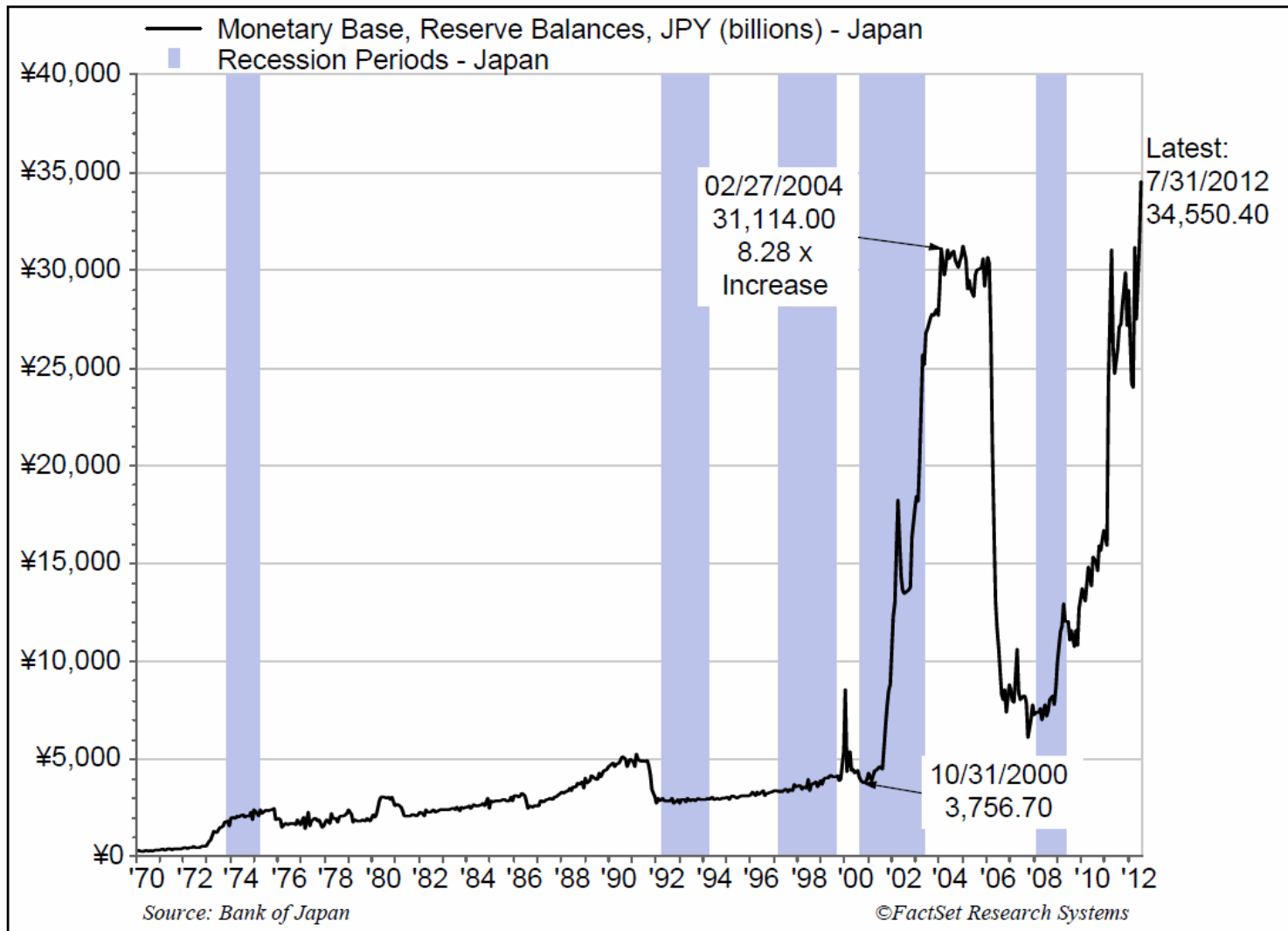
Monetary Base



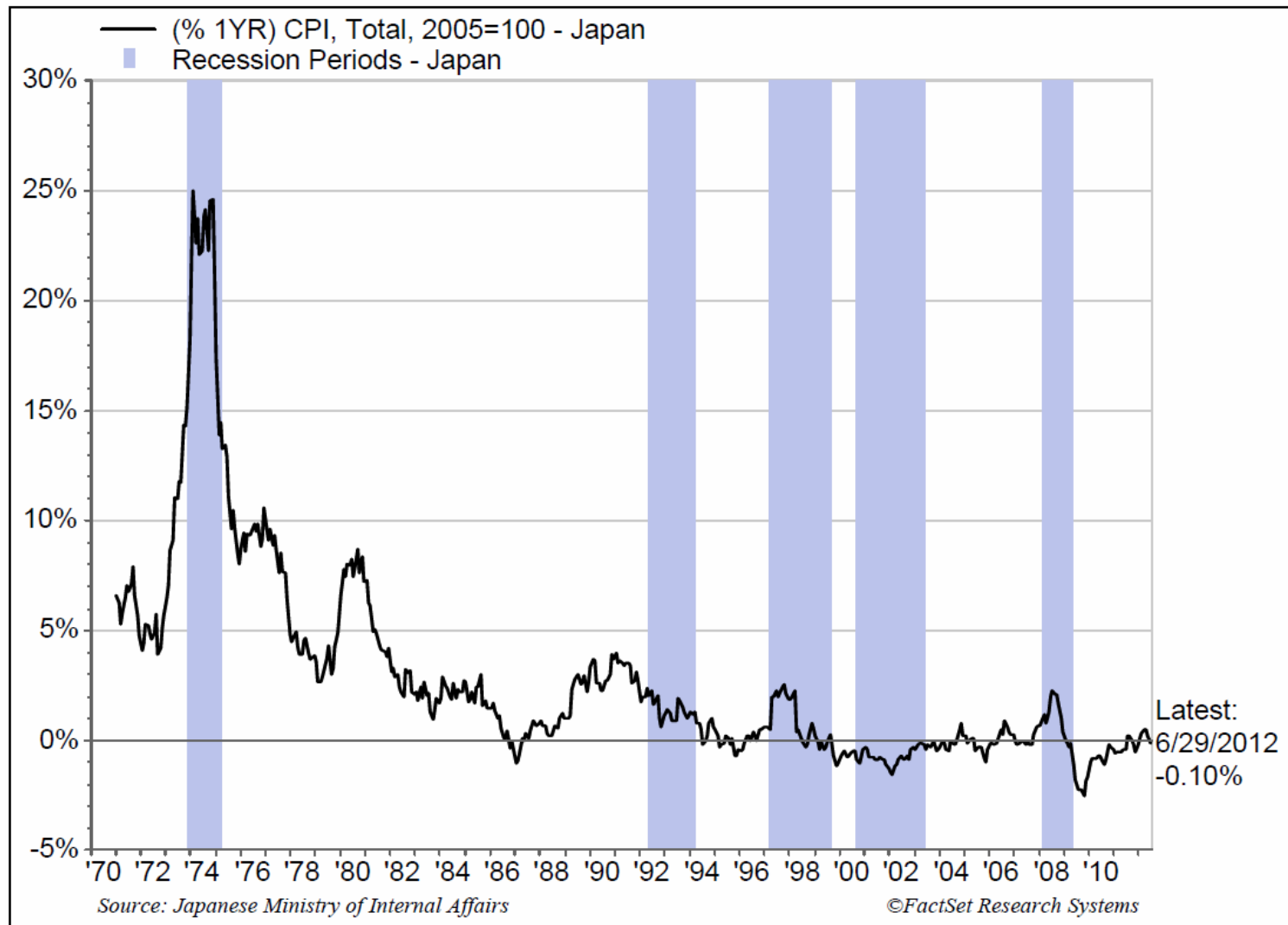
Cash at Banks



Japan's Monetary Base



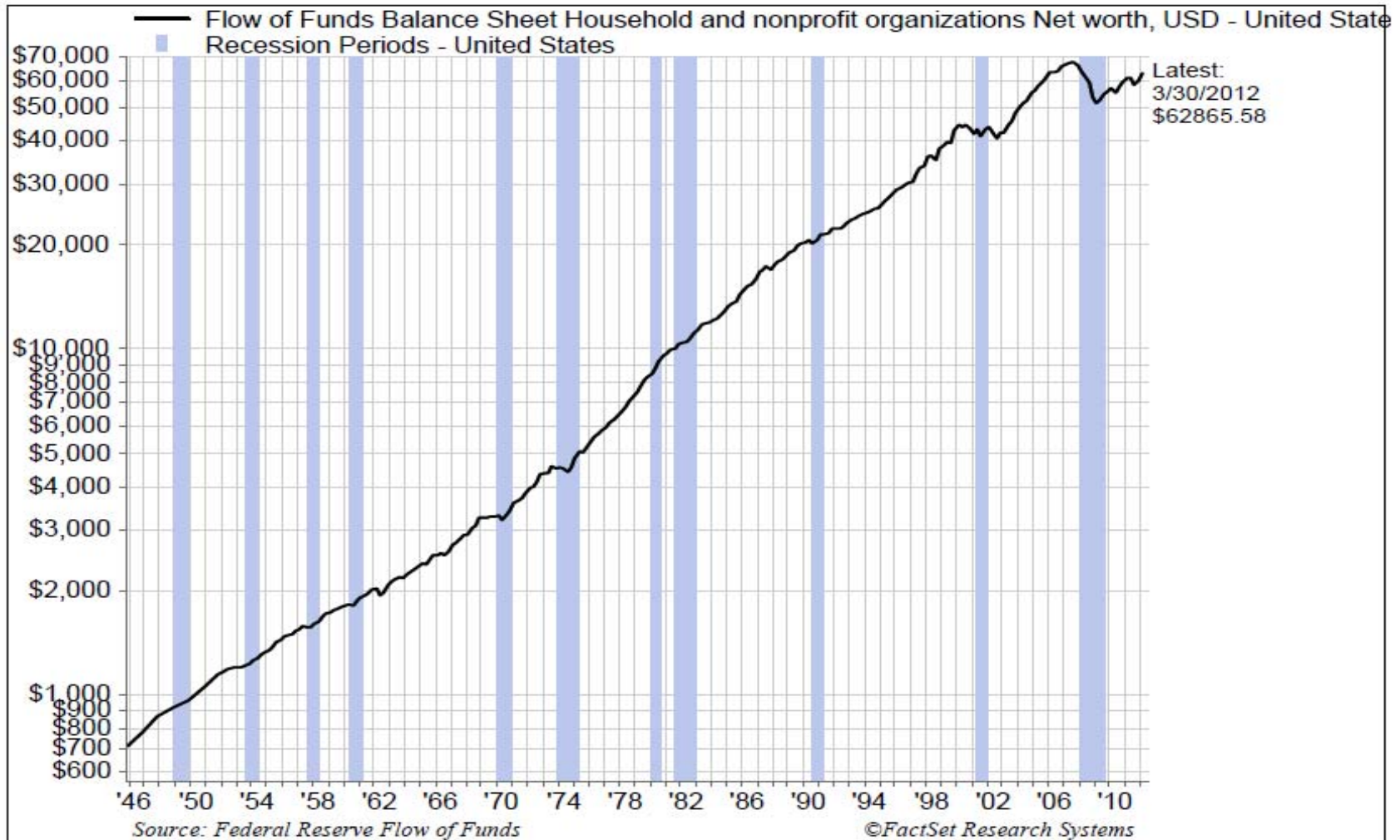
Japan CPI



The Wealth Creation Formula



Wealth Creation



Productivity

Year	% of U.S. Population Employed in Farming
1840	69%
1900	38%
1930	21%
1960	8%
1990	3%
Currently	Less than 1%

Agriculture employs 52% of India's workforce and is 17.2% of GDP.

Agriculture employs 36.7% of China's workforce and is 10.1% of GDP.

Productivity

U.S. Military Production July 1940 through August 1945

	Total	Monthly Average
Tanks	86,000	1,433
Trucks	2,500,000	41,667
Jeeps	500,000	8,333
Planes	286,000	4,767
Naval Vessels	8,800	147
Merchant Ships	560	9.3
Tons of Steel	434 million	7.2 million
Ammunition Rounds	41 billion	683 million

* U.S. also supplied enough raw materials to enable Britain and Russia to be #2 and #3 producers.

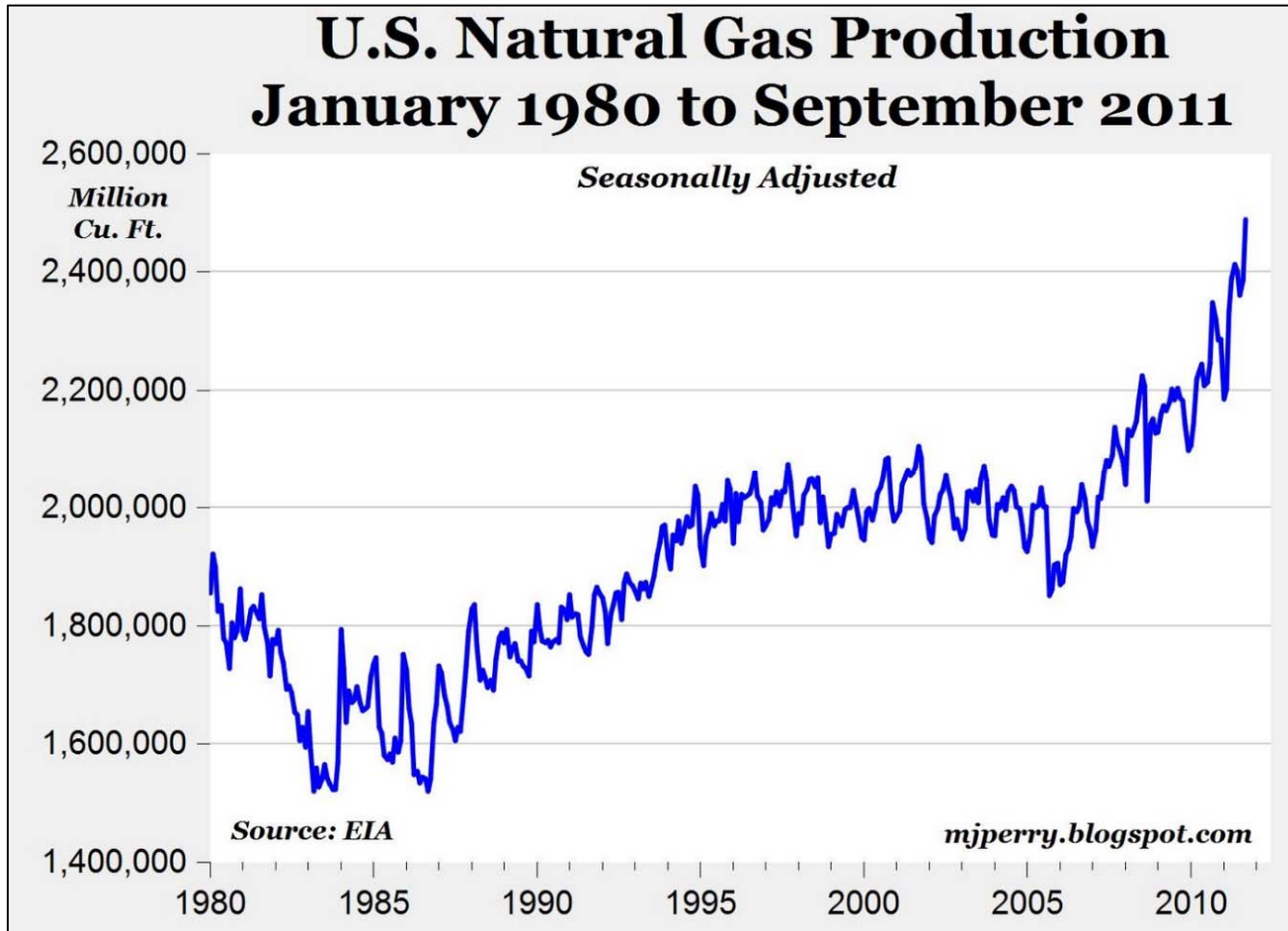
Source: "Freedom's Forge", Arthur Herman, 2012

Productivity

Liberty ships under construction and in use during World War II.



Energy



Energy

Natural Gas Trading Ranges in Recent Years

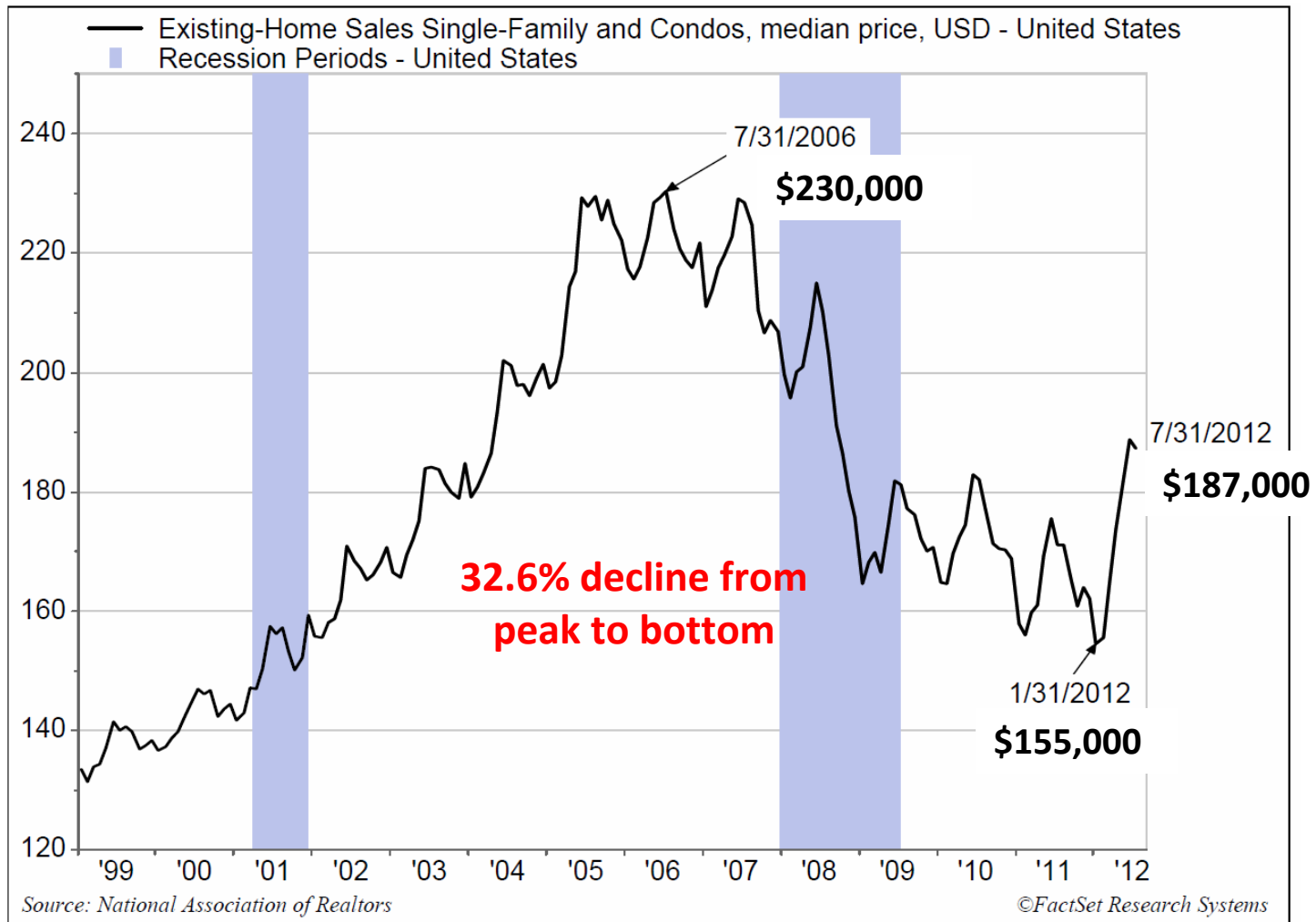
US: \$2.00 to \$3.00/mcf

EU: \$11.00 to 13.00/mcf

Japan: \$15.00 to 16.00/mcf

- If you add \$4 to \$5 to ship the gas, the U.S. can make a good profit anywhere in the world.
- Cheap energy will attract companies to the U.S.

Existing-Home Sales Prices



Manufacturing

- **China**
 - US productivity-adjusted wage gap vs. China is narrowing rapidly
 - High employee turnover
 - Reliability problems
 - Shipping costs
 - Property rights/Piracy
- **Europe**
 - Lower productivity
 - Aging population
 - Non-competitive, inflexible work force
- **Japan**
 - Aging population
 - Complete lack of natural resources
 - Mountain of debt relative to productive base

 **Winds are blowing America's way!**

Nike Computer-Controlled Weaving Technology



The computer-controlled weaving technology, which knits the entire upper part of the shoe in a single piece that's then attached to the sole, promises to cut labor costs and production time while also increasing profit margins and opportunities for personalization. It may even bring some shoe manufacturing jobs back to the U.S. In traditional shoemaking, machines cut scores of pieces that workers must then assemble.

Source: Business Week 3/15/12

3D Printing (a.k.a. Additive Manufacturing)

Titanium Jaw Implant

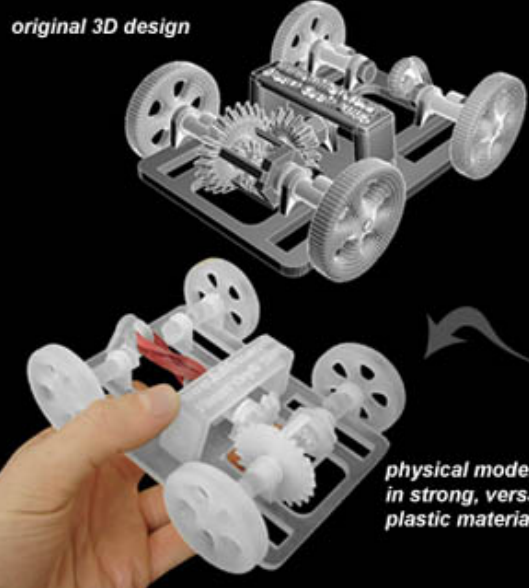


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Benefits of 3D Printing

1. **Cheap manufacturing** – Up to 70% cost savings
2. **Quick production** – Produce products in hours versus days and weeks
3. **Less waste** – Allows some products to be up to 60% lighter
4. **Better quality** – Full control, layer by layer, as the product is built
5. **Accessibility** – Able to create products we need, when we need them
6. **Sustainability** – More eco-friendly
7. **New shapes & structures** – Infinite number of complex figures
8. **New combinations of materials** – Removes many traditional boundaries
9. **New business models** – Entrepreneurs can personalize endless products

Conclusion

The United States offers many things that few countries can match:

- Universal currency recognition
- No currency restrictions
- Democracy...a system to reverse the persistency of error
- Property rights
- Largest and most liquid capital markets in the world
- Strongest military power in the world

These are the tangible factors that attract:

- **People**
- **Talent**
- **Capital**