



Superinvestor Wealth Compounders

HCA[®]

ECOLAB[®]

Nomad Foods



Dear FMT Advisory Investors,

During the Great Depression, millions of citizens died from a lack of sustenance. Out of this horrific period, the Food Stamp program was born. Mrs. Mabel McFiggan was the first person to stand in line to make a food stamp purchase in 1939.

No matter what your forecast for the United States economy and elsewhere is, people are going to get their caloric intake on a daily basis in developed countries no matter how bad things get. The circus might not come, but bread will be on the table.

We all need to eat, and with government assistance programs that range across a wide variety of food assistance programs beyond just SNAP (Supplemental Nutrition Assistant Program), the food industry is not only recession-proof today, but companies that control their own end-to-end supply chains are literally depression-proof today.

A recent case in point is the crash of our real estate and financial markets in 2008-2009. Food Stamp participation rates went absolutely parabolic, jumping by the 10s of millions of destitute Americans entering the entitlement program during the ongoing crises. It is no surprise that companies like General Mills were wonderful winners during the storm in 2008-2009, and even thereafter.

The economies have been inching along ever since the real estate crash and overall economic growth is in slow growth mode world wide today. With this macro backdrop and growth harder to come by, we've been thrilled to be buying what has become our number-one position across FMT Advisory all year long. Indeed, we've been aggressive ongoing buyers into *a truly breathtaking all-in-per-share cost-basis of Nomad Foods*.

Before we get into it a bit, let us clarify something. FMT Advisory doesn't write about our holdings on any kind of schedule for a variety of reasons. An example is Nomad Foods. We have been big buyers toward the last half of this year, and we want the best possible prices for our carefully chosen targets that meet our rigorous criteria. Not until we've filled out our positions or the company no longer resides in our deep-value buy zone, are we likely to ever discuss our holdings publicly.

We're also often buyers when the long-term trends are there, but we're only buying our targets at large discounts to intrinsic value — which often entails us having to wait for either individual short-term ugliness or overall market ugliness to prevail, which will likely prove to be temporary.

Therefore, we don't want potential new investors with us thinking we're buyers with our holdings at any price (that is what mutual and exchange-traded funds have to do). For example, Fairfax Financial is listed on the facing page — it is just one example where we're not buyers of it at the moment, because the price of the business is changing hands above our buy zone today (though it is a **Superinvestor Wealth Compounder!**).

With that said, Nomad Foods meets the parameters where we feel like we can freely discuss them today. Though Nomad Foods is still nicely undervalued and has a long runway for growth, we're now happily fully invested with a terrific all-in cost basis — a cost basis non-member-clients aren't likely to get on their own now.

Good luck trying to piggy-back on our ideas.

Nomad Foods

Co-founded by Martin E. Franklin and Mr. Noam Gottesman, Nomad Foods literally has a proven track record of winners behind it that have been more successful than Warren Buffett over any time period. Nomad Foods' blueprint has been cloned from Martin Franklin's days at Jarden Corporation, where he generated a return of 6,000% for investors in the span of fifteen years.

With Superinvestor Wealth Compounders like Jarden before Nomad, the great thing is that as long as the companies are priced below their long-term intrinsic value, one can take sizable, non-speculative positions and sit easy, knowing

you've got generous free cash flow gushers working hard for you over-time – with the cash being redeployed at high rates of return. This, by the way, has proven to be the hunting grounds for the greatest long-term returns of any business endeavor.

Incidentally, I recently read a great resource investor recommend only 1% portfolio weightings in resource stocks because of the huge hits and misses in that arena. Well, if you take a 1% portfolio position and it goes up 1,000%, you've only moved the needle in your entire portfolio by 10%. Being able to take sizable positions in companies like Nomad Foods, which can go up 5,000% over time, is in no doubt a portfolio-winning idea.

Nomad Foods will generate \$200 million in free cash flow in 2016, and that will grow over time with M & A synergies still ahead of it, and vast opportunities in the fragmented packaged and non-packaged food industry. This is the blueprint of Martin E. Franklin at work.

The company's low-cost tax domicile also makes synergies almost immediate upon any transactions, and with their low-cost distribution system building out, they have countless billions to consolidate efficiently as time rolls on.

The CEO of Nomad, Stéfán Descheemaeker, has vast experience in the food industry, most notably at Anheuser-Busch InBev, where the 3G team has been running it effectively under their modus operandi of zero-based budgeting. Not only is Stéfán an M & A all-star, he has effectively taken the same zero-based budgeting approach at Nomad Foods, which will give us a mean-lean running machine for a long time to come.

Beyond that, Franklin also has his team in place from the Jarden 6,000% experience, with Ian Ashken and Jim Lillie scouring the food industry to find deals that make sense for Nomad shareholders. I wouldn't bet against these gentleman with \$200 million in free cash flow already gushing in, years of experience, and a platform that is better than Jarden ever started with.

We've taken a large position with them, and we're already glad we have, and look forward to years of value creation for all shareholders. While Nomad Foods has been doing well, the company is still priced at a pro-forma free cash flow yield of 11.5%, including synergies (10% without).

In other words, the market is way underpaying for Nomad's current – and most especially future – free cash flow streams, which are growing quite nicely.

Wonderful Businesses

To qualify as an FMT Advisory holding within the **Superinvestors Wealth Compounders** strategy (or the **Income Money Spinners** strategy for that matter), the business itself must meet our proprietary criteria of having sound economic returns on capital, without which long-term stellar compounding in non-speculative, great businesses could not exist:



Incidentally, when we find these sorts of companies early enough on their sojourns, where an enormous runway for long-term intrinsic value increases still exist, such as with Nomad Foods, and we buy the trends we've identified at discounted prices, our success is *amplified* in two ways. First, we get the conversion toward intrinsic value over time, and second, we get the return in the increase in per-share intrinsic value over time.

In other words, we get two returns: intrinsic value converging toward its fair value, and the increase in intrinsic value, which provides truly stellar long-term compounding over time. And it's less risky!

To wrap this up, **Superinvestor Wealth Compounders**, by definition, must have exemplary management teams that also must meet our rigorous 7-pronged internal test, and yet we want all of these requirements at a great price. As you might imagine, these opportunities are truly few and far between. When we find them, we can't mess around.

This is the reason this particular strategy naturally ends up being a concentrated approach, one very similar to the way the wealthiest have truly gotten rich. But by knowing our businesses exceptionally well, we take the road less traveled nowadays... one that has the promise of bringing true shareholder justice to our wealth.

We thank you, our dear member-clients, for joining us on this amazing long-term wealth building journey. For without you, we wouldn't exist. We never forget that.

Sincerely,

Nicholas Green
Chief Executive Officer