

Manning, Deborah

From: Keane, John
Sent: Thursday, July 02, 2015 12:31 PM
To: Manning, Deborah
Subject: FW: Greece Default - Fallout

Board Agenda.

From: Farias Parakh [<mailto:fparakh@silchester.com>]
Sent: Thursday, July 02, 2015 12:11 PM
To: Keane, John
Subject: Greece Default - Fallout

Dear John,

Silchester have two Greek holdings in the portfolio - OPAP and Public Power Corporation with an aggregate weighting around 0.8% as of May 31, 2015. So not a very large exposure.

In the context of what is happening in Greece right now, we are comfortable with our current exposure. If Greece left the EU it would be disruptive but still businesses and companies would go on as they have in the past. If there was a devaluation in the short term there would be a muddle through which is how human affairs often do go. Our observation is that business goes on and companies go on and are often at their most interesting for investors during periods of crisis.

OPAP operates exclusive gambling concessions in Greece and has a monopoly on almost 75% of the legal gambling market in Greece. They are focused on non-casino gambling in Greece, with most profits from just two popular games – Kino and Stihima. The business has attractive cash characteristics: an addictive product, high proportion of variable costs, low capital needs (no inventories, no directly operated stores). OPAP's main challenges are political – regulation, politics and a potential “Grexit”. As of June 29, 2015, our position is trading as follows: price to earnings 12.8x, an owner's earnings yield of 6.7%, a dividend yield of 9.3% and an EV/EBIT 7.8x. The company currently has net cash.

Public Power Corporation (“PPC”) is a fully integrated power supplier in Greece providing power generation, transmission and distribution to over 7m customers. The Greek government owns about 51%. Electricity demand in Greece, as in many markets, while not recession immune, generally enjoys relatively stable demand, particularly for residential customers, which represent PPC's largest customer base (70% of revenues). The business benefits from simplicity derived from focus on the Greek market and the electricity industry, although it appears that vertical integration of various operations within the value chain seems to have added business complexity. Additionally, the business is subject to an overarching domestic regulatory structure, which has created distortions and inefficiencies in some market segments. There is also global regulatory influence from the EU. As of June 29, 2015, our position is trading as follows: price to tangible book value of 0.2x, price to earnings 12.0x, and an owner's earnings yield of 9.6%.

As a one product firm, all our focus is on the portfolio that City of Jacksonville is invested in. Should anything arise, we would notify our clients in our newsletter or an email.

Do let me know if you have any other questions.

Regards,

Farias

Ms. Farias Parakh
Partner
Silchester International Investors

From: Keane, John [<mailto:KEANE@coj.net>]
Sent: Thursday, July 02, 2015 12:49 PM
To: Kevin.Fenelon@bailliegifford.com; Mimi Brucaj
Subject: Greece Default - Fallout

Please review our holdings in light of current economic conditions in Greece. Advise if we at risk in any manner and the degree, if any. Thanks.

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