

Before we buy an ownership stake in a business, we often find ourselves asking the same questions no matter how big or small the company is. Does management have a history of acting in the shareholder's best interest? Does the company sell products that people will keep buying 10, 15 or 20 years from now? Has the company been able to maintain or improve margins and deliver strong return on capital over time, and can this continue in the future? Does the company have too much debt? and finally, can we buy this company at a discount?

Finding answers to these questions can be a difficult task that requires days, if not months of reading, number crunching, and then some more reading. There are many companies with top notch management, healthy margins, high returns on capital, and little or no debt, but we often find that they are simply too expensive. So, when we find a company that meets this set of criteria **and** can be purchased at a discount to intrinsic value, it is something we get very excited about! With this in mind, we are pleased to announce the following two additions to your value portfolio.

COOPER TIRE & RUBBER CO. (CTB)

Headquartered in Findlay, OH, Cooper Tire makes and sells replacement tires worldwide and has been in business since 1913. Cooper Tire is smaller than the more well-known brands such as Michelin, Bridgestone and Goodyear, but over time it has demonstrated stronger operational efficiency reflected by higher margins and return on capital while holding low levels of debt. (See below for exhibits).

Exhibit 1.

RETURN ON CAPITAL	5-yr average	Rank
<u>Cooper Tire & Rubber Company</u>	<u>20.1%</u>	<u>1</u>
The Goodyear Tire & Rubber Company	10.8%	5
Kumho Tire Co., Inc.	4.4%	11
Dana Incorporated	10.1%	6
The Yokohama Rubber Company, Limited	7.3%	9
Toyo Tire & Rubber Co., Ltd.	8.3%	8
Bridgestone Corporation	11.3%	4
MRF Limited	10.0%	7
Apollo Tyres Limited	13.7%	2
Compagnie Générale des Etablissements Michelin	11.9%	3
Nexen Tire Corporation	6.8%	10

Exhibit 2.

TOTAL DEBT/CAPITAL	5-yr average	Rank
<u>Cooper Tire & Rubber Company</u>	<u>25.5%</u>	<u>3</u>
The Goodyear Tire & Rubber Company	59.3%	10
Kumho Tire Co., Inc.	69.5%	11
Dana Incorporated	58.4%	9
The Yokohama Rubber Company, Limited	41.0%	6
Toyo Tire & Rubber Co., Ltd.	48.1%	7
Bridgestone Corporation	21.1%	1
MRF Limited	30.0%	5
Apollo Tyres Limited	27.4%	4
Compagnie Générale des Etablissements Michelin	23.1%	2
Nexen Tire Corporation	53.7%	8

Source: S&P Capital IQ

With a continued focus on cost reduction through automation, and expansion into new markets we anticipate Cooper can continue to operate at industry leading efficiency levels. We believe Cooper Tire is well run and operationally sound and at the price paid for an ownership stake in this company we believe there is plenty of upside.

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TARO PHARMACEUTICAL INDUSTRIES LTD. (TARO)

Headquartered in Haifa, Israel, Taro is a research based pharmaceutical company that develops, markets and distributes generic prescription and over-the-counter pharmaceutical products for the treatment of skin and cardiovascular conditions. The company's largest market is the United States but it also operates in Canada and Israel.

Taro operates in a segment within the generic drug industry that is characterized by high barriers to entry, few competitors and the potential for higher margins as the development and manufacturing of dermatology creams and ointments is more difficult than for pill based products. As a result, Taro's margins and return on capital are substantially higher than their competitors. In addition, Taro has only a small amount of debt and has over \$1Bn in cash.

Exhibit 1.

RETURN ON CAPITAL	5-yr average	Rank
<u>Taro Pharmaceutical Industries Ltd.</u>	<u>25.1%</u>	<u>1</u>
Impax Laboratories, Inc.	5.7%	9
Lannett Company, Inc.	20.0%	2
Akorn, Inc.	13.9%	3
Glenmark Pharmaceuticals Limited	10.4%	5
Prestige Brands Holdings, Inc.	7.9%	7
Teva Pharmaceutical Industries Limited	6.5%	8
Dr. Reddy's Laboratories Limited	11.0%	4
Merus Labs International Inc.	1.5%	11
Mylan N.V.	8.0%	6
Perrigo Company plc	4.2%	10

Exhibit 2.

TOTAL DEBT/CAPITAL	5-yr average	Rank
<u>Taro Pharmaceutical Industries Ltd.</u>	<u>1.1%</u>	<u>1</u>
Impax Laboratories, Inc.	15.3%	2
Lannett Company, Inc.	27.4%	3
Akorn, Inc.	50.6%	8
Glenmark Pharmaceuticals Limited	52.2%	9
Prestige Brands Holdings, Inc.	66.6%	11
Teva Pharmaceutical Industries Limited	38.4%	6
Dr. Reddy's Laboratories Limited	29.5%	4
Merus Labs International Inc.	42.1%	7
Mylan N.V.	61.6%	10
Perrigo Company plc	36.8%	5

Source: S&P Capital IQ

Taro has all of the attributes we are looking for in a business. It is profitable, generates a high return on capital, does not have a lot of debt, and has the ability to reinvest capital back into the business at high rates of return. At the price paid for an ownership stake, we believe there is plenty of upside potential. However, we have no idea what the stock price will be a month or a year from now.

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