

# What's That Smell?

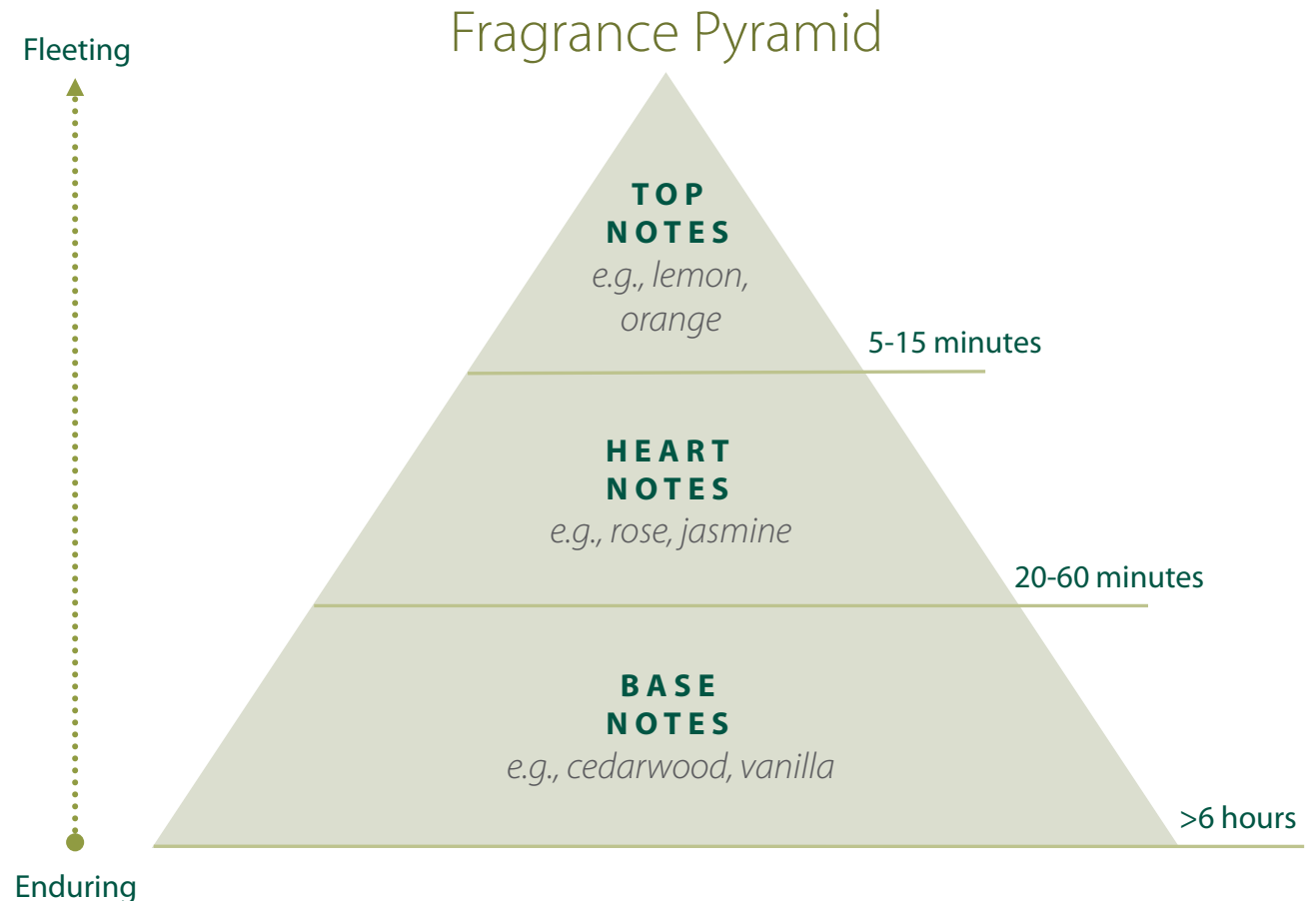
Beini Zhou and Anand Vasagiri | Artisan International Explorer Strategy



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# Explorer Initial Smell Test (ExIST™)

- Corporate governance standards and minority shareholder treatment **vary by country**
- Comfort with people on the other side of the table (**character** and **integrity**) is typically first thing we check—**initial smell test**
- If it **doesn't pass** our initial smell test, we **don't care** how cheap it looks



# Scratch & Sniff

Just like the stickers, you need to scratch to reveal the smell

## SCRATCH

- Can't "smell" much by merely looking at company stats
- Our job is to **know how to "scratch"**
- Sometimes just a little scratch is sufficient
- Other times we need to scratch deeper
- Our experience helps us discern this

## SNIFF

- Whether a smell is good or bad is subjective
- Despite our similar sense of smell, disagreements can arise
- Smells can change over time, for better or worse
- We try to **avoid going nose blind**

# Olfactory Offenses

## TOP NOTES

- Hong Kong payment terminal vendor—*related-party transactions*

## HEART NOTES

- ASEAN building materials manufacturer—*expensive sports cars*

## BASE NOTES

- European investment holding company<sup>1</sup>—*leverage, leverage, leverage*



# Stopping to Smell the Roses

- **Impro Precision** (China)  
Industrial precision components maker

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- **ALTEN** (France)  
Outsourced R&D engineering services provider



The background features a complex, abstract geometric pattern. It consists of various overlapping shapes, including triangles, rectangles, and curved lines, in shades of blue, green, and yellow. The colors transition from dark blue on the left to light green and yellow on the right. A solid black horizontal band runs across the middle of the image, containing the text.

Questions?

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