RV Capital

10-Year Anniversary of the Business Owner Fund

The Aha Moment

Recently, I was asked by a fellow value investor when I had my “Aha Moment”.

I thought it was a great question and a good place to start a memo at the 10th anniversary of the Business Owner Fund.

In my case, the logic of value investing - a share is a part ownership in a business, the metaphor of Mr. Market, and the concept of Margin of Safety - hit me like a bolt of lightning as opposed to slowly dawning on me. The question implies it is the same for all value investors. I suspect that is true.

Lightning struck in my case one morning in the early 2000s in a nondescript office in one of the skyscraper’s punctuating Frankfurt’s skyline. At the time, I was a telecom’s analyst at DZ Bank. In the debris of the Dot Com crash, I had started tentatively investing in companies listed on the *Neuer Markt* (Germany’s now-defunct Nasdaq clone) in collaboration with my two roommates, Vidar Kalvoy and Wolfgang Specht. The former *Neuer Markt* darlings had fallen so much in value that many were trading at discounts to the net cash they carried on their balance sheets.

On this morning, Vidar came bouncing into our office excitedly carrying Benjamin Graham’s “The Intelligent Investor”. He opened the book at Chapter 5 of the first (and best) edition, in which Graham describes the speculative boom in new issues that preceded the Great Crash of 1929, then read out the following sentence:

“Some of these issues may prove excellent buys – a few years later, when nobody wants them and they can be had at a small fraction of their true worth.”

This sentence blew me away. I was amazed that a book written over 50 years earlier, prior even to the mass adoption of the telephone, could so precisely describe what I was seeing in the Internet economy of the new millennium. I was hooked on value investing and have been ever since. It is not an exaggeration to say this sentence changed my life.

The prospect of the ten-year anniversary of Business Owner prompted me to think about how I have developed since those first forays into investing after the Dot Com crash. I see three main phases, though there is, of course, a certain overlap between them.

Phase 1: The Great Price Stage

The first was a quantitative, almost mechanistic, phase in those early years. I bought shares in companies based on the discount to the net cash and other liquid assets they carried on their balance sheets. Share prices were rock-bottom, so there was no shortage of this type of opportunity.

There was nothing wrong with this approach while the opportunities lasted, and it produced excellent results. However, when the panic subsided a year or so later and I looked back on how my investments had done, I noticed a funny thing.

Although the discount to liquidation value had disappeared in virtually all cases, the dispersion in investment outcomes was huge. Where the company had little in the way of a viable business model, the share price only converged, *could* only converge, to the net asset value. Where the company had a decent business, the share price expanded

significantly beyond the asset value. As operating earnings recovered, the market attached a value to the operating business in addition to the net cash. In the former case the companies' share prices rarely did better than double and it one case, sadly, end up at zero as it turned out that the company in question had overstated the value of its inventory. In the latter case, the companies' share prices went up many times over.

Oddly enough, I preferred the multi-baggers to the doubles/zero, so I tried to figure out what I should do differently to identify the multi-baggers a priori. It turned out the size of the discount to asset value made virtually no difference at all.

Phase 2: The Great Business Stage

What did make a difference was how good the business was. This realisation ushered in the second phase where I paid far greater attention to building an understanding of a company's business and competitive advantage in addition to simply looking for a large discount to asset value or a low earnings' multiple.

It helped that in 2004 I moved from Frankfurt to Switzerland to work for a fund that followed an activist strategy of buying large stakes in listed companies and looking to shake them up. As these stakes were, by definition, illiquid, any new investment was preceded by months of detailed analysis of the company and its market. It had to be as if we missed something it was likely to be impossible to sell the stake, at least not without realising a substantial loss. This was a great apprenticeship, and I am grateful to my former colleagues, Peter Wick, in particular, for what I learnt at this time.

Reading the investing *classics* also played an important role. In order of importance, the ones with the greatest impact were: Warren Buffett's letters, Philip Fisher's "Common Stocks and Uncommon Profits," and Michael Porter's "Competitive Advantage".

Phase 3: The Great Manager Stage

In the third phase, I started paying more attention to the character of the people in addition to the business and the price.

This stage took me by far the longest to complete.

The journey began in the Autumn of 2006. I had started RV Capital in August, and, whilst it was always my ambition to run a fund, I did not have enough capital to launch one. Instead, I offered business analysis to hedge funds, companies and family offices – basically anyone. I was hustling to secure my independence. My first client was Norman Rentrop, a publisher and value investor in Bonn. We struck a deal that I would put together a portfolio of investment ideas, jointly decide which ones to invest in, and share any profits. That Autumn, we sat down together to discuss my best ideas.

One company immediately caught Norman's eye as its largest shareholder was well known in the region…as a crook. I was mortified that I made such a poor recommendation to the first client of my fledgling business. Worse, it was not so much the result of an oversight as that I had not even thought to investigate the people.

Safe to say, the experience left such a strong impression that an assessment of people became one of the first steps of my research process thereafter. In fact, when my fund started two years later, I called it Business Owner, reflecting not only that I saw myself as a part owner of the businesses I invested in, but that I sought to align myself with companies that had long-term and rational owners, ideally the manager.

The journey was nowhere near complete though.

After Business Owner started, I had a strong appreciation for the managers I invested in, but they were not central to my investment hypotheses. My goal was primarily to avoid the bad guys. Having satisfied myself this was the case, price and business quality drove the investment decision.

I only changed my mind on this several years later when I, again, noticed a funny thing when I looked back on past investments.

Fortunately, most of my investments had worked out reasonably well – by focussing on business quality I avoided the complete investment disasters that occasionally marred my earlier investing career – but a handful of my investments had worked out spectacularly well. When I dived deeper into why, I saw that it was generally due to factors that I had not specifically forecast at the initiation of the investment, such as an opportunistic acquisition, a product launch, or a new market. It became clear to me that no matter how deeply I studied a company, ultimately, I only saw the tip of the iceberg. The prime determinant of an investment outcome was below the waterline, out of sight.

As someone who prided himself on being a thorough and diligent analyst, it was a painful and humbling realisation that my company analyses may, in fact, not be all that good. But it freed me to recognise a far more important truth:

If the key determinant of an investment outcome is what I do not see, the most important thing is to invest in managers I trust.

I have found time and again that the surprises with managers I trust are generally positive, whereas those with managers I do not are nearly always negative.
Today, I only feel motivated to do the hard miles and build an understanding of an investment case if I get a visceral sense that the company's manager is someone I could deeply admire. Invariably, this is someone for the whom the company constitutes his or her life's work or has the potential to be.

I described why I think people are the key factor in my 2015 letter and held a talk on the same topic at Bob Miles' Value Investing Conference in Omaha in 2017.

Geographic Expansion of Investment Universe

Parallel to developing my thinking on *how to* invest, I was also developing my thinking on *where to* invest.

My first investments were in the *Neuer Markt*, i.e. in a specific segment of a specific country. After I moved to Switzerland, I became a generalist with a brief to find investment opportunities in any sector, but still within Germany, a single country. When I started RV Capital in 2006, I continued to focus on the German-speaking countries. Thus, when I started Business Owner in 2008, most companies I had ever analysed were smaller caps from Germany and to a less extent Switzerland and Austria. Logically enough, the portfolio at inception was made up of companies from this universe. The perception and, for that matter, the reality was that I was a German small-cap specialist.

Right from the get-go though, it was my intention to invest anywhere. This was partly because I was curious about what was happening in the broader world; partly because I thought I would have to move beyond Germany's borders at some point if I wanted to continue to learn; and partly because, as a fully paid-up generalist, I thought, the broader my universe, the more insightful my company analysis would be. Accordingly, my first fact sheet in October 2009 contained the following sentence:

"The fund invests worldwide in order to maximize the opportunity set."

However, out of the top 10 companies in the portfolio that October, just one – a 3% position in American Express – was outside the German-speaking countries.

A few years later, Georg Stolberg – one of my earlier investors and not one to hold back a critical opinion – complained that I was saying one thing and doing another. Wounded, I made the following radical change to the factsheet:

“The fund *can* invest worldwide to maximize the opportunity set.”

The reality is that, whilst I always intended to invest globally, it takes time to build up a mental database of companies. I set about doing just that. I travelled extensively in the US (yielding several investments); made my first trip to India in 2008 (described in my 2009 letter, yet to yield an investment); my first trip to China in 2012 (described in my 2012 letter, yielding an investment in Baidu); and have visited at least one new country a year. Today, just one investment in the fund is in Germany with the remainder of the portfolio coming from as far-flung places as New Zealand and South Africa.

It’s time to resurrect the original version of the fact sheet.

The increasingly diverse nature of the portfolio no doubt raised eyebrows. Some people probably thought I had completely left the reservation when I invested in Baidu, a Chinese Internet company, in 2012. I understand the scepticism as, after all, where is the “edge” of a German small-cap specialist in a country as big and “foreign” as China?

The edge is the ability to compare opportunities in the Chinese Internet with, say, old economy companies in Germany. Successful investing is ultimately about calculating opportunity cost, i.e. weighing one opportunity against another. The more diverse the set of opportunities, the easier it is to spot disparities.

The drawback with this approach is that a sector specialist at a large firm can analyse a higher number of opportunities in the Chinese Internet than I, a generalist, could.

So, which is better: “Narrow then Broad” or “Broad then Narrow”?

As always with investing, the road less travelled is likely to be the more lucrative one. Large teams and specialisation are the rule in the asset management industry whereas the one-man show is the exception. Even if the one-man show were to become the norm tomorrow, or at least more prevalent, I have a ten-year head-start in building out my mental database. I intend to maintain the lead.

Business Owner and the Financial Crisis

The Business Owner Fund started on 30 September 2008, two weeks after the collapse of Lehman Brothers. It was near the peak of the Financial Crisis although share prices would not bottom until March of the following year. This could not be known at the time.

I am sometimes asked whether it was difficult to invest in this period – after all, in October, my first month as a proud manager of a new fund, the fund was down 8% - a monthly loss that many seasoned fund managers probably had not recorded in their entire careers up until that point!

The truth is that I found this period the simplest of the last 10 years. I was a fully paid-up value investor by this point and had deeply understood and internalised Ben Graham’s metaphor of the stock market as “Mr Market,” a manic-depressive who buys and sells wildly based on his mood swings.

Mass panic-selling is anticipated by the value investing philosophy and fitted my understanding of the world perfectly. Experiencing the Dot Com crash almost ten years prior no doubt helped as well. What made less sense to me was why other value investors seemed so disorientated. To be clear, I did not understand what was happening at a macro level any better than the next person, but I was pretty sure nobody else did either. As such, it was clear that share prices were being moved by dark thoughts and fear as opposed to sober analysis. In any case, if the world really was going to end, as many people thought, what was there to lose by buying a few shares?

When the dust settled after the Financial Crisis, it became increasingly clear that changes were afoot in the global economy that were far more structural and longer-lasting in nature than the Financial Crisis. In contrast to the panic around the Financial Crisis, a big one-time, structural change in the economy is not well anticipated by the value investing philosophy. Value investing advocates staying within your circle of competence, as opposed to embracing the new. As a result, these changes left me feeling disorientated and in denial. Whereas in the financial crisis, my understanding of the world was better adapted to reality than the layperson's, now the tables were turned.

The changes I am referring to are, of course, those wrought by the Internet.

Expansion of Investment Universe into "Tech"

Grasping the opportunities and risks catalysed by the Internet, and more pertinently, converting those insights into investment actions was the single most difficult transition I made as an investor over the last ten years.

To the layperson, this most likely sounds absurd. Bill Gates wrote his famous memo "The Internet Tidal Wave" in 1995. By the late 90s, I was regularly and enthusiastically shopping on Amazon. Google had its IPO in 2004. Hindsight is a wonderful thing, but by the start of the second decade of the new Millennium, the idea that the Internet was re-ordering the economy was not – how should I put it? –a Nobel-Prize-Worthy insight.

So why did I struggle so much? The companies that were driving this revolution and its key beneficiaries were what are described, in my view inaccurately, as "Tech" companies (I will come back to why this term is a mischaracterisation). "Tech" has historically been a sector that value investors perceived as out-of-bounds, off-piste, or in value investing speak "outside the circle of competence". In Chapter 6 of "The Intelligent Investor," Ben Graham writes sceptically about "growth companies" and investor's "judgement as to the future". Warren Buffett built his unparalleled track record by investing in simple, unchanging businesses and eschewing Tech stocks until recently. His approach was most spectacularly vindicated when he dodged the Dot Com debacle.

In fact, I consider the above to be an unfair characterisation of both Graham and Buffett. As an investor, you can only invest in the world as it is. Graham was aware of the benefits of a growing company, as a quote from the same chapter shows:

"The stock of a growing company, *if purchasable at a suitable price*, is obviously preferable to others." (My emphasis)

It just so happened, he found better opportunities elsewhere. Similarly, Buffett's capital allocation decisions in the 90s, including avoiding Internet companies, were spot-on.

Irrespective of what Graham and Buffett did or did not think, my perception, in fact, *the* perception was that "Tech" stocks were outside of a value investor's circle of competence. Battling with this conviction was the growing body of empirical evidence that the older companies on the receiving end of the disruptive forces unleashed by the

Internet were increasingly looking like roadkill. The disruptors, by contrast, had spectacular unit economics and virtually unlimited runways for growth.

I finally woke up and smelt the coffee in 2012, four years after the start of Business Owner, when I bought Google and shortly afterwards Baidu. By year-end 2013, my "Tech" allocation through these two companies was 21% of the fund.

Today, Google and "the FAANG trade" are viewed, perhaps fairly, as the ultimate consensus trade. As I hope this narrative shows, my decision to buy Google in 2012 felt like a rebellion. Buying a mega-cap, US "Tech" company was not the script a "German small-cap specialist" was supposed to follow.

Although I am proud of the decision to buy Google – not because of the subsequent return, but because of the philosophical shift it heralded – the truth is I did not go far enough. I should have had a higher allocation to "Tech" and I should have ventured beyond a blue chip like Google towards some of the second-line Internet companies. I salivate to think what Business Owner's performance would have been if I had directed my search for passionate entrepreneurs to the tech sector from 2012 onwards. It would have surfaced exactly the right opportunities. I know hindsight is a fine thing, but I repeat: that the Internet was giving rise to wonderful new businesses was not a controversial idea by then. I could have and should have done better.

It is a trivial error, but I think the single biggest reason that I did not have a far higher allocation to the Internet was one of nomenclature. "Tech" was the wrong term to describe companies such as Amazon, which was disrupting retail, Facebook, which was disrupting media, and the hundreds of smaller companies disrupting their own respective markets. The problem with the term is that it creates the impression that these companies are somehow one part of the economy, separate to the rest, whereas, in fact, they were becoming the fabric of the economy as a whole.

The error of nomenclature had the consequence that I dared not go beyond a 21% allocation. I did not want to be overexposed to a single "sector," a sentiment reinforced by the fact that the "Tech" has the connotation of risky and exotic.

A more productive way to think about "Tech" businesses is as "viable" businesses. Yes, this is also a mischaracterisation - not every business started prior to the Internet age is unviable, nor is every Internet-age business immune to disruption – but it is a nudge to be more open to them and removes the idea that they are just one segment of the economy, that can be easily dismissed as "too difficult". Who would not want to invest in viable as opposed to unviable businesses?

The error of nomenclature was not the only one that held me back from going all-in on the opportunities catalysed by the Internet. I was too hung up on paying a lowish multiple for a business (a hangover from my earliest days as a net cash investor). Most of the best businesses had little in the way of current earnings as their investments ran through the income statement in the form of R&D and customer acquisition cost. This made them appear expensive when they were, in fact, anything but. I describe my shift away from "low multiple orthodoxy" in my H1 2015 letter.

I was also too focused on the width of the moat – why wouldn't I be as I was only investing in "unchanging businesses"? - and not sufficiently focussed on whether the moat was growing. After all, in an eternal race to earn economic profits, the relative speed of the competitors is more important than the distance between them. I wrote extensively about the importance of the direction rather than the width of a moat in my 2016 letter in a section titled "Moat vs. Innovation".

#1 Most Significant Investment

I am fortunate to have had several successful investments over the last 10 years. My definition of significant goes beyond a simple calculation of the financial return though, although it, of course, includes that. A significant investment is one that helped me become a better investor.

The most significant investment from both a financial and educational perspective is Grenke, our small-ticket IT leasing company. Grenke has been in the portfolio since day one and constituted 32% of the portfolio at inception. I wonder how many other funds had a third of their portfolio in a financial company two weeks after Lehman's collapse.

Grenke is significant in financial terms. Excluding dividends, the share price is up almost 15x. This is only part of the story though. Like all contrarians, I felt drawn to financials during the financial crisis as they were in the eye of the storm. Fortunately, I was so enthusiastic about Grenke that I never considered for a moment investing in a bank or insurance company, many of which turned out to be value traps. A full calculation of the financial return should include losses avoided as well as profits earned.

More important than the financial return were the lessons Grenke taught me or reinforced. It strengthened my conviction that it is better to put a large part of the fund's capital in a single company I know well rather than several companies I know less well, supposedly to lower risk in the name of diversification. Most importantly, Grenke served as a template for future investments. It has a passionate entrepreneur, an obvious competitive advantage, a huge market opportunity, and a willingness to make the investments necessary to realise it. Whenever I have ventured into a new country I have simply looked for companies that remind of Grenke – not in terms of business model, but in terms of these attributes. Whenever I found one, I immediately felt at home.

#2 Most Significant Investment

The second most significant investment is Google, described in my 2012 letter. Google broadened my horizons towards the companies which are driving economic growth and will constitute the bulk of the global economy in the future. It's impossible to imagine any investment strategy that will work in the long-term that ignores them.

#3 Most Significant Investment

The third most significant investment is Credit Acceptance, our subprime auto lending company described in my 2014 letter. To use boxing terminology: *pound-for-pound*, it is the greatest company I have so far come across. There are better businesses than Credit Acceptance – Google, for one – but what makes it so exceptional is how unpromising the market is. Auto lending is intensely competitive with thousands of players. There is apparently little opportunity for differentiation. Auto Dealers, its customers, are untrusting, skilled at negotiating, and highly motivated.

Out of an almost impossible situation, Credit Acceptance has built a profitable and growing business by convincing dealers to forego profits today to get a cheque several years in the future. Better still, Credit Acceptance has built the business in a way that aligns the interests of the car buyer, the dealer and itself, the lender. Everyone wins.

Credit Acceptance also has one of the strongest cultures and most thoughtful leaders I have come across (the two are connected). Learning about its culture through my discussions with Brett and his colleagues was one of the highlights of the last ten years.

<u>Hall of Shame</u>

Halls of shame are generally associated with poor purchase decisions. Whilst I had my fair share of disasters prior to the start of the fund, the last 10 years have been blissfully disaster-free, a state of affairs that will not persist forever.

The absence of disaster is perhaps due to me becoming a more accomplished investor, but above all, it is a result of having the responsibility of managing other people's money. It instils a far higher sense of duty in me than managing just my own money.

The absence of disaster is also a function of having a concentrated strategy. In a diversified portfolio, it is a legitimate strategy to put part of the capital in companies that have a similar probability of going to zero as to going up 10x. The occasional zero is part of the calculation. Such a bet is inappropriate to a concentrated portfolio as there may not be enough iterations to allow the statistical probabilities to play out.

When I think of mistakes, there are of course those of omission, but they are too numerous to list here, and in any case, it is difficult to say at which point enough work has been performed on an idea for it to qualify as a mistake of omission as opposed to simply a missed opportunity.

The topic of mistakes calls to mind, principally, my sell decisions. Some of these were truly awful. To pick just two, Hermle, a wonderful machine builder in Southern Germany is up 6x since I first sold. Bechtle, an IT Systems House, also in Southern Germany, is up almost 3x. Both have also paid dividends, in the case of Hermle more than my initial capital outlay. I love both companies and miss not being a part owner. Oh yes – and there is WashTec. It is up 7x from when I first sold, thanks, in no small part, to the heroic efforts of my friend Jens Grosse-Allermann.

Not all sell decisions were poor. I correctly spotted flaws in my initial investment hypotheses in companies such as Hornbach, Novo Nordisk, Hawesko and Baidu and am glad I acted decisively as soon as that became clear. Furthermore, if I had never sold anything, it would not have been possible to make investments in companies such as Google and Credit Acceptance that helped me become a better investor.

Every company that has ever been part of Business Owner continues to do reasonably well and, in some cases, spectacularly well. If companies fell off a cliff or the CEO absconded with the cash after I sold them, it would not affect the financial returns of the fund, but it would give me pause as to whether I really knew what I was doing.

The single most critical question I receive from my investors at my annual investor meeting and elsewhere is whether I should not be more open to selling, especially when the multiple expands to a point that no longer seems consistent with a value investment.

If I look back on my sell decisions, I am forced to conclude that I have not always lived up to the standard of a long-term owner that I set myself, at least in the cases of Hermle and Bechtle. My admonitions to be a long-term owner are perhaps directed primarily at myself as opposed to the outside world.

From a financial perspective, my sell decisions demonstrate that whilst it is correct to sell when a flaw in the investment case becomes apparent, it is often not when the valuation appears rich. In all but the broadest strokes, the future is unknown and unknowable. Where I know the company and its people well and, crucially, trust them, the surprises have normally been positive. What appeared at the time to be a high valuation, was not.

<u>The Past</u>

Business Owner started on 30 September 2008 with six investors including me and €10m capital. The annualised return has been 21%. The investor base has grown steadily over time rather than follow a hockey stick distribution characteristic of most successful funds. There have been virtually no redemptions. My best guess is that the majority of investors have done better than 21% p.a. A fortunate few missed the original start date and instead invested at €89.35 on 31 December 2008. When I need help timing the market, I defer to their judgement.

<u>The Present</u>

Today, there are 84 investors in the fund and €221m assets under management ("AUM"). I know all my investors personally and enjoy their company. I see most of them at least once a year, so they can hear from me directly where their money is and why it is there. For the less sophisticated, this is as important as the returns. The fund feels like a club.

A disadvantage of being a one-man show is that it is inherently unscalable - I can only serve a minuscule fraction of all investors. I do not intend to become a multi-man show, so the fund will remain a club. By encouraging a new generation of independent fund managers to emulate my example, I hope the idea of the independent fund manager scales even if AUM does not. My best shot at growing AUM is through performance.

<u>The Future</u>

My story demonstrates that one key activity has driven my development: making investments, learning from them, improving, then repeating. At crucial moments, this meant jettisoning deeply held convictions, such as an exclusive focus on price, the primacy of moat over people, and the avoidance of "Tech" companies.

To have a chance of replicating the past decade's performance in the new decade, the implication is that I will again, at a few crucial moments, have to jettison beliefs that today seem incontrovertible. By definition, I cannot know what these are. If I did, I would have already got rid of them.

What this means is that virtually every aspect of how I invest is negotiable.

The only non-negotiables are Ben Graham's three core tenets of value investing – a stock is a part ownership of a business, Mr Market, and pay less than a business is worth – and a fourth tenet: only invest in people I like and trust.

Everything else is fair game: if bonds ever have a real return of 15%, expect me to ditch equities; if slow-growing companies ever appear more attractively priced than fast-growing ones, expect me to ditch compounders; if investment outcomes ever appear less certain, expect me to become less concentrated.

These comments are partly directed at my investors – I do not want anyone to be disappointed if they think they are signing up for one thing and get another. One scolding from Georg is quite enough for an investing lifetime.

Primarily though, they are directed at me. If there is one sure path to mediocrity, it is sitting back and collecting the royalties off prior years' hits. If I salivate to think about the opportunities in second-line Internet companies five years ago, the spittle is presumably accumulating in everyone else's mouth too. That accumulation of spittle is an indicator the approach may not work in the next five years.

It's almost certain I will not be able to replicate the performance of the last 10 years. The fund benefitted from a favourable starting point, the collapse in interest rates (from which I doubly benefitted given that I increasingly shifted the portfolio to companies with longer duration of cash flow), and the fact that my competitors were most likely too focussed on the present state and valuations of companies as opposed to how things might look in the future. None of these factors will benefit the fund in the next ten years.

On the other hand, I note that the fund's performance in the last 5 years, at 24% p.a., is better than the first 5 years' 18% p.a. despite a less favourable starting point. It is possible to change and to improve.

Difficult, not impossible.

To Emerging Managers

If you have made it to page 10 of this memo, I am guessing you dream of managing your own fund - my investors dream of feeling sufficiently secure about their money that they do not need to read 10-page memos.

I hope my story serves as an inspiration to go off and start a fund and not feel bound by current conventions. For more concrete thoughts on what this means, I recommend the five-year memo.

Do not be put off by talk about market valuations and record bull markets. The course of the stock market is neither known nor knowable. The best time to start serving other people, if you know what you are doing, is today.

At the close on 30 September 2008, the S&P 500 was going to fall 42% before bottoming on 9 March 2009. Starting before the market almost halves is every newly-minted fund manager's worst nightmare. From today's vantage point, it did not matter. In fact, I am glad I did not start on 10 March 2009. If you want to be a great sailor, you do not want to miss the opportunity of a lifetime to test your skills against such an epic storm.

If you are starting today, my advice is to be fully invested, but only to hold the companies you would own if you *knew* the economy was on the brink of collapse. Incidentally, this is the correct way to invest *all* the time.

Final words

I was drawn to investing as it seemed to offer an *easy* path to riches – tot up the net cash on the balance sheet, invest at the widest available discount, return to the beach.

What keeps me in investing is that it offers a *difficult* path to riches. Finding the best investment is a puzzle that can never be solved as the market relentlessly grinds away inefficiencies whenever and wherever they arise. As a result, any advantage can, by definition, only be temporary. The only way to maintain a lead is through constant learning and constant questioning of previous certainties.

For this reason, I feel reasonably confident that in ten years' time, if it comes down to factors I can control, there will be a 20-Year Memo.

Best regards,

Meggen, 4 October 2018