

Value Investing in a Volatile Environment

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Who Am I?



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Who Are You?

- Raise your hand if you own Berkshire
- Raise your hand if you are invested in one of these managers
- Raise your hand if you have followed one of these managers into a stock
- Raise your hand if you are a Buffett historian
- Raise your hand if you are a math guy

Size Matters

Smaller is Better

"Anyone who says that size does not hurt investment performance is selling. The highest rates of return I've ever achieved were in the 1950s. I killed the Dow. You ought to see the numbers. But I was investing peanuts then. It's a huge structural advantage not to have a lot of money."

Warren Buffett

Opportunity Comes In All Sizes

Warren Buffett's best returns were when he was small



Buffet Investment	Year	Approximate Value in 2019 Dollars
Sanborn Map	1958	\$40M
See's Candy	1971	\$210M
Blue Chip Stamp	1968	\$65M
Berkshire Hathaway	1962	\$105M

Performance

Matters

“Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it.”

Albert Einstein

AN EXTRA FEW % POINTS MATTER A LOT OVER TIME

Annual Rate of Return after 30 Years

0%	→	\$100,000
5%	→	\$432,194
10%	→	\$1,744,940
15%	→	\$6,621,177
20%	→	\$23,373,631

Only Own

The Best Ideas

“The idea that it’s hard to find good investments, so concentrate in a few, seems to me to be an obviously good idea.”

Charles T. Munger

How Common is Conviction?

- 174,211 Investment Entities in the World
- ~\$86 Trillion in Capital
- How many firms owns even just one position $>5\%$?

= YELL OUT ANSWERS

Answer:

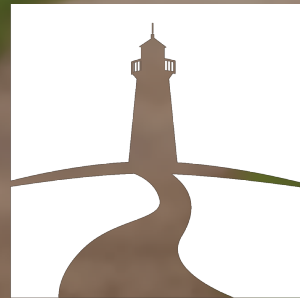
- Even modest Conviction is Rare
- 756 Investment Entities, 0.433% of Global Invested Capital
- \$1.3 Trillion of Capital, 1.51% of Global Capital

Why I Think About Managers

How Do The Super Investors Of Graham and Doddsville Look Today?

- One-Person Investment Committee
- Concentrated holdings
- Reasonable amounts of capital (AUM)
- Significant personal investments (“skin in the game”)
- Original thinking
- Mindset: Getting Rich is Not the Point

If your goal is to be as close to the market's average by owning the market and reducing expenses, do not open...



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PARTNERS FUND

A Fund of Partnerships

Diligence Process

Old Letters

Audit

Signals

Facts On Panelists

- Average Size of Investment Committee = 1
- Number with >5% Position = All
- Reasonable AUM = All
- Number of Top Holdings in S&P 500 <1

THANK YOU!



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