
iolite
a value-oriented investment firm

You deserve better

Finding a simple solution to reach your financial goals has never been more difficult

Low returns, high costs, complicated tools

- Saving accounts, life insurance policies, bonds and treasuries do not yield satisfactory returns
- Real estate returns have come down and owning property involves a lot of debt and operational hassle
- Equities have historically generated satisfactory returns, however the vast majority of products available
  - Underperform the market
  - Have all-in costs of 3-5% p.a. including many hidden fees

Lack of trust

- Short term financial pressures have eroded banks' willingness to care for the wellbeing of clients
- Most bank clerks and financial advisors are fairly uneducated salespeople with little investment know-how
- High personnel turnover – you are often dealing with a new person each time you call

As you will see, iolite offers a vastly different and superior service

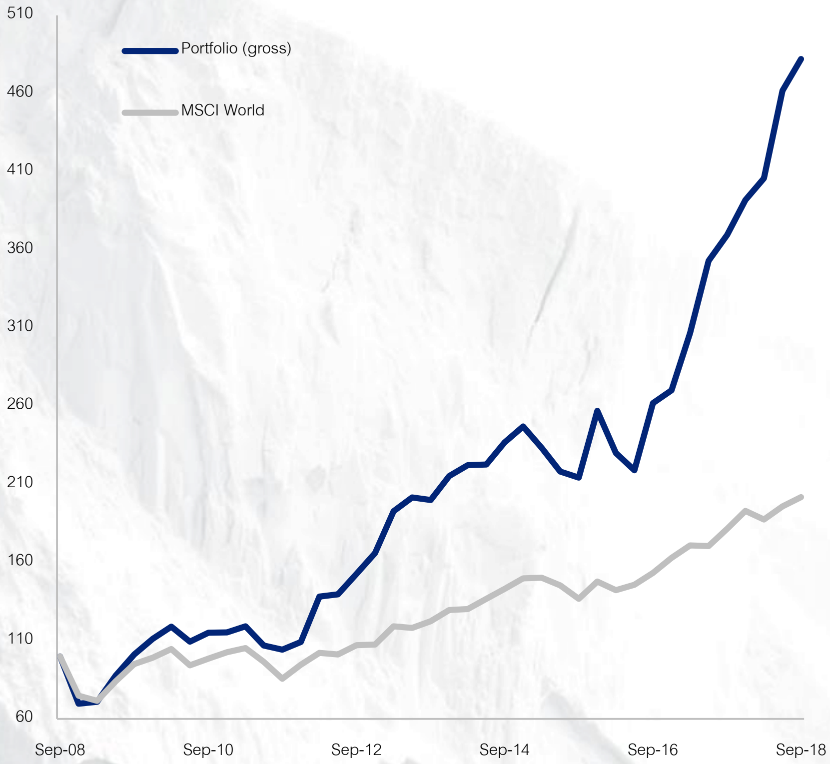
Join a skilled investor's own family office

- iolite is a Swiss investment manager that runs concentrated portfolios of global value investments
- iolite's clients are a select circle of private individuals willing to invest for the medium to long-term, and who would like to have first-hand access to a dedicated portfolio manager
- A pooled investment vehicle was established in 2018

Key benefits to clients

- **No management fee:** pay 0% until annual performance exceeds 4%
- **Full alignment of interests:** co-invest with the portfolio manager, who is one of iolite's largest investors himself
- **Time-tested investment strategy:** value investing is a low risk, high return strategy that has proven to work well over time
- **Educated and experienced manager:** invest with someone who was trained to beat the market and has done so in the past

Market-beating track record (CHF)



The unleveraged core portfolio has achieved **gross annual returns of 17.0% as measured in Swiss francs (20.9% in euro and 18.7% in US dollar)** vs 7.3% (10.6% and 8.5%) for the MSCI World Index with dividends reinvested.

(%)	Quarterly Performance CHF (gross)				Annual Performance CHF			Annual Performance EUR			Annual Performance USD		
	Q1	Q2	Q3	Q4	Gross	Net	MSCI World	Gross	Net	MSCI World	Gross	Net	MSCI World
2008				(30.3)	(30.3)	(30.3)	(25.0)	(26.2)	(26.2)	(21.9)	(26.3)	(26.3)	(22.7)
2009	1.8	23.7	15.3	9.9	59.6	57.8	32.3	60.6	57.0	32.3	64.5	60.2	36.6
2010	6.9	(8.1)	5.3	0.1	3.6	3.6	3.5	22.9	18.2	22.5	14.7	12.1	14.5
2011	3.5	(10.4)	(2.6)	4.7	(5.4)	(5.4)	(7.7)	(2.7)	(2.7)	(4.9)	(5.8)	(5.8)	(8.0)
2012	26.6	1.1	9.4	8.8	52.3	42.3	13.5	53.4	42.1	14.6	56.3	45.5	16.4
2013	16.1	4.5	(0.7)	7.6	29.6	23.2	20.6	27.6	21.7	18.3	32.9	25.6	23.6
2014	3.2	0.2	6.3	4.3	14.7	12.0	15.6	17.0	13.8	18.2	3.0	3.0	3.8
2015	(5.5)	(6.5)	(1.8)	20.0	4.1	4.1	(1.4)	15.0	12.3	9.0	3.2	3.2	(2.2)
2016	(10.5)	(4.8)	19.6	3.1	5.1	4.8	10.2	6.7	6.0	11.6	3.4	3.4	8.4
2017	13.5	15.0	4.7	6.0	45.0	34.8	18.6	32.8	25.6	8.9	51.5	39.6	24.0
2018	3.5	13.8	4.4		23.0	18.3	4.5	26.3	20.7	7.2	22.1	17.6	3.7
Since inception (annualized)					17.0	13.9	7.3	20.9	16.8	10.6	18.7	15.2	8.5
Since inception (total)					4.8x	3.7x	2.0x	6.7x	4.7x	2.7x	5.5x	4.1x	2.3x

MSCI All Country (DM+EM) World Index All Cap (large + mid + small + micro caps), net dividends reinvested. MSCI estimates this index covers approximately 99% of the global equity investment opportunity set and I therefore consider it a very suitable measure of the market's overall performance. Please note that an index investor would probably have to bear costs not captured in this measure, such as account and product fees.

Fee structure: 0% management fee, 25% performance fee over annual hurdle of 4%, high watermark

INVESTMENT PHILOSOPHY

- A share represents a fractional ownership of an underlying business and a bond is a loan to a business. Therefore, in the medium to long term, the performance of shares and bonds should strongly correlate with those of the underlying businesses.
- With this in mind, I am looking
  - To buy **great businesses at fair prices**
  - To buy **bad businesses at very low prices**
  - Buy **assets under liquidation value**
  - Invest in **asymmetric situations** where the upside is a multiple of the downside
- My valuation work routinely focuses on these questions:
  - Do I sufficiently **understand** the business model?
  - What is the **visibility** into the company's ability to generate cash flows going forward?
  - What is the **liquidation value** of the company's assets?
  - Is management **allocating capital efficiently** and in the interest of minority investors?
- If I find an opportunity with an attractive risk/reward profile, I will rank this opportunity with the positions in the portfolio and those that I see in the wider market before making an investment decision
- The portfolios are often **highly concentrated** and 5 stocks frequently make up 80% of the assets

Why you cannot afford NOT to be invested in stocks

The effect of compounding		
	Annual	30 years
Salary	100,000	3,000,000
Savings	20,000	600,000
Compounded savings		
3%		1,000,000
5%		1,400,000
10%		3,600,000
15%		10,000,000
20%		28,400,000

"Compound interest is the eighth wonder of the world. He who understands it, earns it… he who doesn't… pays it." [Albert Einstein]

The cost of compounding at low rates of return can easily be worth a multiple of your lifetime earnings

The easiest path to riches

1. Save
2. Invest into ownership stakes of productive assets
3. Avoid loss of capital

Common errors in thinking

- Contrary to common belief, high returns do not require higher risks if you can buy undervalued assets
- Don't confuse volatility with risk: risk is the probability of permanent capital loss and volatility just means swings in prices that you can use to your advantage
- Investing into equity markets is not gambling: you are buying ownership stakes in real businesses
- Leverage may be a shortcut to wealth creation, but for most people it is a shortcut to distress

Why you may NOT want to become a co-investor?

Some aspects of my investment process may lead some investors to rule out an investment

- **One man show:** I have organized myself this way as it avoids conflict and frees me to focus all my energy on capital allocation rather than managing staff. There is no risk committee and there is no formal process for my investment decisions. If you require a more institutional setup, iolite is not for you.
- **High concentration:** my portfolio is highly concentrated. I am a believer in Mark Twain's dictum: "Put all your eggs in one basket, and watch that basket!" Most business schools teach that diversification is the highest goal. If that is your view, iolite is not for you.
- **Volatility:** given the high concentration, my portfolio is subject to high volatility. If you cannot stomach large swings in your net worth, iolite is not for you.
- **Quarterly liquidity:** I often hear that investors would prefer monthly or even daily liquidity. If three months is too long a time horizon for you, we are not a good fit.
- **Social prestige:** I don't have fancy offices, my clients don't get free tickets to exclusive events, and I often invest in truly obscure and unloved businesses. If you are looking for excitement and social prestige, please look elsewhere.
- **Stealing ideas:** in the past, some clients tried to replicate my ideas on a larger scale in undisclosed accounts. As to my knowledge, this failed to generate satisfactory performance for various reasons. Imitation may be the highest form of flattery, but in the world of investing, it does not lead to success.

WHAT'S IN THE NAME?

- [ahy-uh-lahyt]
- Noun, mineralogy
- iolite (also known as cordierite) is a crystal that changes color when pointed toward the sun, even on cloudy days. The crystal is commonly found along the coast of Norway. The Vikings discovered iolite's unique property, using it as a compass, which allowed them to conquer the seas and cement their reputation as legendary seafarers.
- The name "iolite" comes from the Greek word for violet

WHO'S BEHIND THE NAME?

Robert Leitz is the sole investment professional at iolite. Before iolite, he held positions at **Glencore** (the world's largest commodity trader) and various financial institutions, including **TPG** Credit (a hedge fund), **Goldman Sachs**' European Special Situations Group, and KPMG Corporate Restructuring. Robert graduated from the University of St. Gallen (**HSG**), Switzerland, with a Master of Science in Business Administration and Economics, and wrote his master's thesis under the guidance of Prof. Eli Noam at **Columbia University**, New York.

What sets Robert apart from the crowd

- Trained at **top tier hedge funds** that invested across the capital structure in complex situations, including debt-control transactions and the acquisition of non-performing corporate loan portfolios
- Passionate about investing – it's his calling, not just a job
- Tries to keep **complexity low** and sticks to **time-tested strategies**
- A **natural contrarian and independent thinker**
- **N**ot the most eloquent, authoritative and quick-witted person, but believes the **depth and breadth of his analytical thinking** sets him apart
- Has substantially **outperformed the market** since starting iolite 10 years ago

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Appendix: Forbes interview (case study Bakkafrost)

February 2018

https://www.forbes.com/sites/lukeschiefelbein/2018/02/14/why-this-danish-salmon-companys-stock-price-could-double/#60f50e054f93

The Faroe Islands are a windswept archipelago between Denmark and Iceland. Their biggest employer is Bakkafrost, a farmed salmon producer. Bakkafrost is registered on the Oslo Stock exchange, and is one of the more prominent salmon producers in the Nordic region. Robert Leitz of iolite Partners submitted a long on the stock to SumZero in January. We sat down with Robert to discuss his take on the stock and the future of salmon farming.

Luke Schiefelbein, SumZero: What about Bakkafrost initially caught your eye as a value investor? What catalyzed your entrance into the position?

Robert Leitz, iolite Partners: A few years ago, I went on a road trip through Western Norway and the number of fish farming sites caught my attention. I read up on the industry and the more I read, the more fascinated I became with the product and the value chain behind it.

The salmon industry is benefitting from very favorable tailwinds: growing demand and structurally restricted supply. Regarding demand, protein consumption is growing due to population growth, growing disposable incomes, and zeitgeist. Fish is perceived to be healthy and has a lower environmental footprint than beef, pork and poultry. Regarding supply, wild catch is at capacity and growth only comes through aquaculture. It is very difficult and costly to increase aquaculture production of salmon given the lack of suitable locations, license restrictions, diminishing natural feedstock supplies, and biological hazards that come with mass production such as diseases and parasites.

However, despite these industry tailwinds, I found it quite difficult to find a good company to invest in. Salmon farming is still a fairly young and fragmented industry with only a few larger, publicly listed players. Among these, some have overstretched themselves by investing outside their home market, some overleveraged themselves by pursuing aggressive acquisition strategies, and others just never managed to produce healthy margins.

I consider Bakkafrost the pearl of the industry. By buying shares of the company, an investor essentially purchases a stake of the Faroe Islands, an autonomous region within the Kingdom of Denmark located roughly halfway between Scotland and Iceland. The company operates permanent licenses in geographic conditions extraordinarily suitable for salmon farming, is fully vertically integrated, boasts state-of-the-art production facilities as well as decades of technical know-how, and is run by a shareholder-friendly owner-manager, Regin Jacobsen, who turned a small fishery into a global player.

As of February 2018, Bakkafrost is trading at a P/E ratio of around 11 times. This is extraordinarily low for an unleveraged, high-quality growth company. Bakkafrost is run prudently, has shown impressive organic growth with high return on invested capital, and is likely to grow production volumes by another 30% (+6% p.a.) until 2021 given current capex projects – all while also paying a healthy cash dividend.

Schiefelbein: What is the market missing? How has the salmon market been disrupted by the recovered capacity in Norwegian and Chilean fisheries?

Leitz: I believe the market has failed to catch up with Bakkafrost's growth and is overestimating the impact from short-term price swings. In 2016, global salmon supply declined by about 7% as Norwegian farmers suffered from the rise of sea lice (a parasite) and Chilean farmers suffered from a toxic algae bloom. Prices have recently come down as the situation in both countries is normalizing. I have no idea where salmon prices are heading in the short term, but I do believe they are likely to recover. Future demand is likely to grow exponentially, and supply must rise to meet it.

Schiefelbein: What key metrics should investors be paying attention to as your thesis matures? What differentiates Bakkafrost's salmon farming from other salmon fisheries?

Investors should closely monitor production volumes, salmon prices and differentiate between growth and maintenance capex.

The total production cycle is about 3 years and smolt releases (i.e. the release of young fish from hatcheries into the open water) provide a good indication of future harvest volumes. Bakkafrost is operating permanent licenses without volume restrictions. Future growth is mostly driven by a new hatchery that allows the company to grow the smolt to a much larger size in a fully controlled environment on land, before releasing it into the open water. The shorter time in the open water increases production capacity by about 30% and also reduces biological risk.

Even if salmon prices decline by 20% to levels last seen in 2014 and 2015, Bakkafrost should do very well. As an unleveraged low-cost premium producer in a leveraged industry, it has the flexibility and capability to increase market share while other players are suffering.

Over the last few years, Bakkafrost's management has heavily invested to streamline the value chain, improve quality control and reduce the risk of biological hazards. Some of the benefits from these undertakings will only become visible in 2018.

Bakkafrost's investment in high-quality feed ingredients is not only to minimize the biological risk but also to provide a premium product. The natural diet of salmon is fish, and farmers used to feed fishmeal and fish oil extracted from wild catch. However, supply and price constraints led the industry to lower-quality substitutes over time, such as corn, vegetable oils, and wheat, even though keeping the feed closer to the natural diet of wild salmon provides measurable benefits: a healthier nutritional profile, a superior meat structure, and higher production efficiency due to improved animal welfare.

Bakkafrost is using a higher content of fish ingredients than its peers, and it has built its own environmental pollutant cleaning facility to improve the feedstock quality. This comes at a price. Feed cost make up about 40% of total cost for the industry versus about 60% at Bakkafrost.

Appendix: Forbes interview (continued)

Schiefelbein: How vulnerable is Bakkafrost to a shift in the Faroe Island's regulatory regime? Do you see regulatory change controlling fish farming in reaction to the rise of sea lice and the propagation of escaped farmed fish in the wild?

Leitz: Bakkafrost is the Faroe Islands' largest employer and probably accounts for more than 25% of the region's GDP. As such, the company has an extraordinary social responsibility and is subject to regulation and taxation risk.

Regarding farming licenses, the region's current regulatory framework is quite progressive. From 2001 to 2004, the Faroe Islands were severely struck by ISA (infectious salmon anemia) virus outbreaks. As a result, new legislation and regulation was introduced in 2003, which has resulted in one of the most predictable fish production environments in the world. In short, the new framework requires all farmers to keep production volumes at sustainable levels and to cooperate when planning production cycles and volumes.

Regin Jacobsen has invested heavily into quality and process control, and he has proven to be a very thoughtful, strategic thinker who carries his many responsibilities well. It is perhaps presumptuous to think that a regulator may try to threaten his company at the risk of endangering the fate of the Faroe Islands.

Schiefelbein: Is the rise of seawater temperatures due to climate change a threat to salmon farming?

Leitz: Salmon require water temperatures to be in a certain bandwidth, ideally 8-14˚C. The seawater temperature of the Faroe Islands provides ideal conditions, hovering around 6-11˚C. I am no marine expert, but a rise of 1-2˚C probably does not matter all that much to Bakkafrost, while players in warmer regions would feel such a change more severely. Higher water temperatures also increase biological risks such as toxic algae or amoebic gill disease. The recent algae bloom in Chile was blamed on unusually high seawater temperatures, the lack of hygienic conditions in the cages, and the so-called nutrients dumped into them.

Schiefelbein: What are the biggest risks associated with your thesis? What could go the most wrong?

Leitz: Bakkafrost is an operationally geared price taker and earnings are therefore subject to the volatility of salmon prices. As discussed, harvest volumes are subject to biological risk and the government might enforce volume restrictions or license removals if it feels current production levels are not sustainable. The ongoing growth projects are subject to execution risk and may fail to realize the desired outcome and become more expensive than originally planned.

Bakkafrost is also subject to foreign exchange risk and volatility: the company's workforce is paid in Danish krone (pegged to the euro) and is listed in Norway (with the listing currency being the Norwegian krone) while its sales are mainly based in US dollars and euros. Lastly, a profitable company is always at risk of higher taxation and labor cost inflation.

Schiefelbein: Are there any risks associated with the growing preference for wild over farmed salmon? How much of a risk does PCB / dioxin exposure and concern over dye pose to Bakkafrost?

Leitz: Wild catch has been stagnant for more than a decade as it is at capacity. A stronger consumer differentiation between wild and farmed salmon would probably lead to higher prices for wild catch given the supply restrictions. A higher reference price point for wild salmon may actually help support prices of farmed salmon as well.

There is a risk the industry may see demand shocks through events similar to what we have seen with mad cow disease, swine fever, or e-coli outbreaks. However, those setbacks have always only been temporary, as you cannot replace a key ingredient of the human diet such as pork and poultry. Of course, individual farmers may get hurt badly in a severe demand crisis, but demand usually comes back after a couple of years.

Unfortunately, the world's oceans are becoming increasingly polluted, and mass production requires disgusting industrial interventions to grow output levels. This has a severe impact on the quality of the food available to us. Pregnant women are told not to eat tuna due to the risk of mercury poisoning. In Vietnam, cheap aquaculture fish such as catfish are farmed in truly horrific conditions. Most meat products we purchase in supermarkets are subject to heavy use of hormones and antibiotics, exposure to feces, low-quality feed ingredients, and chemical interventions harmful to human health.

I honestly believe Bakkafrost is doing more to maintain a healthy, premium product than most of its peers. For example, current investment focused on keeping the smolt in fully controlled hatcheries for longer means the product is less exposed to pollutants and sea lice. We have already discussed the benefits of paying up for higher-quality feed ingredients.

Schiefelbein: Where else do you see value in the market today? Where else does your fund focus?

Leitz: I run a global, highly concentrated portfolio of investments that I deem attractive based on fundamentals and on a total return basis. While I do not consider markets cheap, I am confident my portfolio currently holds an attractive mix of geographically diversified ideas in uncorrelated industries. My capital base is stable and patient, allowing me to be contrarian and to swim against the tide.

The small size of my fund gives me the liberty to fish in small ponds, where the big funds cannot go. I have observed that large funds have their own guidelines for investing in stocks, such as a threshold market capitalization and liquidity, among several other factors. As a result, large funds often miss out on attractive opportunities, such as smaller micro caps, where there are a lot of market inefficiencies. With growing assets, I will look to take full control of smaller businesses.

Appendix: Manual of Ideas interview (about the manager)

Manual of Ideas, January 2018

www.manualofideas.com

Active managers are increasingly being replaced by artificial intelligence. What is your view on this development?

To some extent, investing is a game of pattern recognition, probabilities and emotional discipline. Intelligent machines are good at digging through vast amounts of data, finding correlations, and sticking to predefined strategies. This undoubtedly makes them very skilled quantitative investors. Humans tend to get swayed by social, emotional, and cognitive biases. It has already become quite difficult to compete against machines with simple quantitative strategies that worked in the past such as fishing for net-nets, low P/E, or magic formula stocks.

However, machines are limited to the data they are being fed. Most algorithmic value strategies are essentially based on some kind of "reverse to the mean" thesis. The question is: what is the mean and what if the future will be different from the past? I have seen countless examples of where a machine identified patterns and correlations that turned out to be random or only held up until a certain trend broke. Similarly, stocks that look cheap based on statistical averages may not be cheap if an industry is getting disrupted by a new technology or a powerful market entry.

I look at a multitude of data points and at criteria that are difficult to quantify (e.g. quality of management, alignment of interests, background of key shareholders, potential to fix value leaks, changing market dynamics, etc.). It will take many more years for machines to capture humans' ability for innovative thinking or cognitive breadth and depth.

On another note, about 80% of the market's capital is now "trapped" in passive and/or reactionary vehicles such as ETFs, pension funds, closet-indexing mutual funds, and automated strategies. In my mind, this is a dangerous development. Aside from the inherent technical risk given various self-reinforcing dynamics, why would a company's management care about shareholder rights if a company's stock price is driven by passive capital and ownership rights are not being exercised?

How do you source ideas and what does your portfolio look like?

I look at many companies and pick those that I deem most attractive. I search top-down and bottom-up but invest bottom-up only. My portfolio is highly concentrated and five stocks frequently make up 80% of the assets.

As most readers will know, value investing can be defined as buying a business for less than what it is worth, whereby the value of a business is defined by the value of all future cash distributions. With this in mind, I look to buy great businesses at fair prices, bad businesses at very low prices, or assets under liquidation value. I also look to invest in asymmetric situations where the upside is a multiple of the downside. My valuation work routinely focuses on these questions:

1. Do I sufficiently understand the business model?
2. What is the visibility into the company's ability to generate cash flows going forward?
3. What is the liquidation value of the company's assets?
4. Is management allocating capital efficiently and in the interest of minority investors?

If I find an opportunity with an attractive risk/reward profile, I will rank this opportunity with the positions in the portfolio and those that I see in the wider market before making an investment decision.

Discuss your research process in more detail. What are the research methods you employ, given that you run your fund entirely on your own?

I spend a lot of time reading annual and quarterly reports, listening to earnings calls, and studying the target's industry. I do use screeners, but they are just one tool out of many. KPIs can be incredibly misleading – just because a company is trading at a low P/E or EV/EBITDA ratio does not tell me if it is a great investment opportunity. I follow other investors that I admire, and I look at markets and industries that have recently seen a steep decline in valuations. I may discuss an industry or a specific target with fellow investors that I trust, but I am also careful to avoid social biases. Lastly, I tend to dynamically model my ideas to get a better grasp of the relevant levers.

How essential is management interaction in your view?

It is very important to find businesses run by capable, honest and driven CEOs who are incentivized to act in the best interest of shareholders. However, in my experience, very few CEOs will give you any real insight unless you either have power over them or they know you well. I also believe that great entrepreneurs and leaders are not necessarily good investors. I categorize CEOs into three types: (1) business builders (Steve Jobs, Bill Gates), (2) capital allocators (Warren Buffett) and (3) those that rose through corporate ranks by positioning themselves smartly and with luck.

1. A business builder might be a good leader for a business with space to grow for the core product, but he may not be the best capital allocator of excess cash flows.
2. A good capital allocator can create enormous value to shareholders, but he may fail to provide enough direction and leadership in terms of business organization and corporate culture. Over time, this usually erodes the value of the acquired assets. It's also crucial to distinguish between those capital allocators who just got lucky riding a certain trend and those who repeatedly created value over many transactions across the cycle.
3. Lastly, I would be very wary of CEOs that made it to the top through politics. They will continue to be driven by opportunistically growing and protecting their own power rather than looking after the shareholders' best interests.

CEOs of large companies tend to have it easier than their fellows at smaller companies, as it takes longer for their mistakes to become visible. Look at Apple: Tim Cook has largely failed to add any meaningful value to the company since he became CEO; he is still mainly benefiting from the tremendous momentum that Steve Jobs built. Very few small companies are able to create momentum strong enough to camouflage years of stagnant product innovation as well as overly expensive and business-irrelevant acquisitions. That said, even big ships can sink very quickly – as is illustrated by the story of Enron.

What has been your average holding period for investments?

Generally speaking, I believe an investment thesis should play out over a five-year period, but in individual cases, the timing of realizing value can swing widely and is ultimately due to chance. A few times, my investments were taken private or went through a value-creating event very shortly after I committed capital. At other times, I had to wait years for a thesis to play out. For example, I have a small position in a company with no debt but a mild cash burn, trading at 1/3 of its cash. Absolutely nothing has happened to either the company or its share price over the last three years.

I shift investments if (a) a company went through a market re-rating and is now exceeding my fair value estimate, (b) I had to re-assess an investment thesis or (c) I found an even more appealing investment.

What are your investors like?

My website has a section titled “reasons not to invest with me” and it is mandatory reading for all potential investors. I want to have a patient capital base because I think this is the most important foundation for sustainable performance. I am growing the business a lot slower than I could if I would be willing to accept anybody, and I have turned people down that I believed were not the right fit for my philosophy.

Many fund managers have to buy what is currently in vogue to attract capital and to avoid outflows. This might work in the short run, but is unlikely to result in sustainable outperformance. For example, most retail investors in Fidelity’s Magellan Fund in the 1977-1990 period (while it was run by Peter Lynch) lost money by churning into and out of the fund – even though the fund generated an average annual return of 29% during this period! It’s tough to be patient, but true value investors find it incredibly rewarding, as most other market participants are either passive or short-term in nature.

What led you to become a value investor?

Upon graduating from university, I was looking for a job that offered me exposure to a wide variety of companies and industries to develop my practical business skills. I became a restructuring consultant and quickly learned about what makes companies succeed and fail. Later, working at a bank’s proprietary trading desk and subsequently a private equity-backed hedge fund, I was exposed to a value-driven approach that immediately and intuitively made sense to me. I learned to assess the value of a security’s underlying asset as well as value across the capital structure. I would typically spend most of my days digging through the small print of bond prospectuses to assess risks and value-triggers leading to low-risk but high-return opportunities. In hindsight, I could not have asked for better training. Bond markets are more complex than equity markets, and I learned to not only find mispriced assets, but to find mispriced pieces within the capital structure as well.

With my own firm, I am building on this experience. My goal is to sustainably compound capital at the highest rate possible. Investing is an intellectually stimulating exercise, and there is a certain purity in building one’s own track record. I shall be a happy man if history will show that in analysing the world and coming to my own conclusions, I was right more often than I was wrong.

How do you differentiate yourself from the thousands of fund managers following the same investing principles?

I manage my clients’ money alongside my own – which aligns my interests with those of my clients and frees me from institutional pressures faced by most fund managers. My capital base is stable and patient, allowing me to be contrarian and to swim against the tide. The small size of my fund gives me the liberty to fish in small ponds, where the big funds cannot go. I have observed that large funds have their own guidelines for investing in stocks, such as a threshold market capitalization and liquidity, among several other factors. As a result, large funds often miss out on attractive opportunities, such as smaller micro caps, where there are a lot of market inefficiencies. With growing assets, I will look to take full control of smaller businesses.

Investing can sometimes be stressful. What do you do to relax?

I try to find balance by spending time with my family, meeting friends, enjoying the Swiss countryside, and doing work around the house. I also love road trips and a dream I have is to circumnavigate the world on an extended road trip. While investing can be stressful and emotionally straining, I am aware that I live a very privileged life compared to most other people in this world. Being an ambitious and intrinsically motivated person makes it difficult for me to rest, but I try to find inner peace by keeping perspective.

SUGGESTED READING

Investing & Management

- The Buffett Partnership Letters (Warren Buffett)
- You Can Be a Stock Market Genius: Uncover the Secret Hiding Places of Stock Market Profits (Joel Greenblatt)
- The Little Book of Value Investing (Christopher H. Browne)
- The Little Book That Beats the Market (Joel Greenblatt)
- Value Investing: From Graham to Buffett and Beyond (Bruce Greenwald)
- Common Stocks and Uncommon Profits (Philip Fisher)
- Margin of Safety (Seth Klarman)
- One Up On Wall Street : How To Use What You Already Know To Make Money In The Market (Peter Lynch)
- Manual of Ideas (John Mihaljevic)
- Security Analysis: The Classic 1934 Edition (Benjamin Graham)
- Quality of Earnings (Thornton L. O'glove)
- Financial Shenanigans: How to Detect Accounting Gimmicks & Fraud in Financial Reports (Howard M. Schilit)
- The Halo Effect: … and the Eight Other Business Delusions That Deceive Managers (Phil Rosenzweig)
- Liar's Poker (Michael Lewis)
- The Big Short: Inside the Doomsday Machine (Michael Lewis)
- The Predators' Ball: The Inside Story of Drexel Burnham and the Rise of the Junk Bond Raiders (Connie Bruck)
- Investment Biker: Around the World with Jim Rogers (Jim Rogers)
- Education of a Value Investor (Guy Spier)
- The Dhando Investor (Mohnish Pabrai)
- Only the Paranoid Survive: How to Exploit the Crisis Points That Challenge Every Company (Andrew S. Grove)
- Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets (Nassim Nicholas Taleb)
- Speech by Charlier Munger: On the Psychology of Human Misjudgement (just google)
- Mr. China: A Memoir (Tim Clissold)
- Saving the Sun: How Wall Street Mavericks Shook Up Japan's Financial World and Made Billions (Gillian Tett)
- Once in Golconda: A True Drama of Wall Street 1920-1938 (John Brooks)
- Red Notice (Bill Browder)

Miscellaneous

- The Snowball: Warren Buffett and the Business of Life (Alice Schroeder)
- Steve Jobs (Walter Isaacson)
- Sam Walton: Made In America (Sam Walton)
- The Polyester Prince: The Rise of Dhirubhai Ambani (Hamish McDonald)
- In The Plex: How Google Thinks, Works, and Shapes our Lives (Steven Levy)
- The Lessons of History (Will and Ariel Durand)
- Sapiens: A Brief History of Humankind (Yuval Noah Harari)
- The Rise and Fall of Diamonds (Edward Jay Epstein)
- The Big Picture: The New Logic of Money and Power in Hollywood (Edward Jay Epstein)
- Outliers: The Story of Success (Malcom Gladwell)
- Tipping Point (Malcom Gladwell)
- The Reichmanns: Family, Faith, Fortune, and the Empire of Olympia & York (Anthony Bianco)
- Bad Science: Quacks, Hacks, and Big Pharma Flacks (Ben Goldacre)
- The Singularity Is Near: When Humans Transcend Biology (Ray Kurzweil)
- When Breath Becomes Air (Paul Kalanithi)
- NPR: How I Built This (Guy Raz)