Overarching Principles

1. Markets rarely price assets accurately. To put it in other terms, markets are generally always wrong but should be respected.

2. Finding mispriced assets and profiting from these opportunities is repeatable with the right research and decision-making process. The application of this will lead to consistently positive returns that will outperform indexing strategies over the intermediate and longer term.

3. Proper investing is a blend of art and science and cannot be fully replaced by computers. The human element is critical.

4. The "price" of an asset and its "value" are fundamentally different and can diverge substantially over periods of time. However, over time, the price of an asset will tend to be pulled towards its intrinsic value.

5. The value of a business is equal to the sum of its future cash flows discounted at a rate linked to risk and opportunity cost.

6. Risk is not volatility but the likelihood of reduction in future cash flows.

Sub-beliefs on investing as a craft

1. Disciplined bankroll management is more important that being a good stock picker.

2. A 70/30 blend of intellectual humility and intellectual confidence will lead to better decision making.

3. Absolute valuation models are superior to relative valuation models.

4. Overconfident single-scenario thinking is one of the most harmful traits that an investor can possess. Being able to think in terms of ranges-of-outcomes and probability distributions is key.

5. A self-awareness of behavioral biases that are inherent to all investors, professional and otherwise is necessary to avoid psychological pitfalls.

6. Investing should be applied to an objective view of the real world and devoid of "hope investing", in which people invest how they wish the world could or should be.

7. Understanding that risk is something that you can define and develop a strategy around while uncertainty has an element that is unanalyzable and should be treated differently or avoided altogether in the investment process.

8. Utilize historical data to arrive at a set of unconditioned company factors (eg. insider ownership, reduced debt levels, founder led executive teams) helps focus qualitative analyses on more suitable candidates.

9. Having a process that limits outcome bias and has an open feedback loop is critical.

10. Understanding the forces that create a growing demand for goods and services is a source of insight. The less well known the force, the better. These forces can be a fad, a trend, or cyclical.

11. Position sizing is more a function of downside risk rather than upside potential

Sub-beliefs on markets

1. Understanding of the incentives created by market dynamics such as the levels of interest rates, trade restrictions, taxes etc. are important to understanding certain incentives of actors such as a company's executive team and its customers.

2. Markets function best within a framework of proper and enforceable laws and with little to no intervention. This mechanism is best for allowing the free flow of capital to the most productive ideas.

3. Government intervention generally creates distortion and understanding these distortions are key in understanding past crises and where potential risks and opportunities exist in the marketplace.

4. Forces that drive markets over time tend to be causally linked and manifest in a cyclical pattern.

5. Having a rough idea of where markets are in the cycle and adjusting asset allocation accordingly will better tilt the odds in ones favor.

6. For the intermediate to long term, the developed world is in a new regime of increasingly interventionist central bank policies and high fiscal spending that is causing distortions in capital markets

Sub-beliefs on company characteristics

1. The smaller and less mature a business, generally the more important the management team.

2. Companies that have a sustainable competitive advantage are easier to hold and for our portfolio we consider these investments “long theta” in options speak.

3. Insider ownership, particularly in smaller companies, is vital as it incents management to act in the best interest of the shareholders.

4. Opportunities to find mispriced assets are greater in asset classes that have less coverage and are inaccessible to larger more sophisticated investors.