

JULY 6, 2021

Dear fellow investors,

Most millennials have never seen an era where value has done well. The last 12 months seem like an aberration in their careers relative to the booming growth markets of the 2010's. The investors that have witnessed value do well time and time again are more than likely baby boomers, not to count Charlie and Warren out (we never do). However, the silent generation is fewer by the day, though they have seen the tug-of-war in the value-versus-growth continuum more than future generations.

Mick Jagger, of the Rolling Stones, is a silent generation member himself (born in 1943). We bring up age because experience is one of the most likely things that age gives you. Millennials have never witnessed the intensity of value outperformance that we have seen over the last 12 months. They have no frame of reference for what they have seen and our advice to investors tells them they will likely continue to see. Now that books aren't read by most people, much of our society has trapped themselves out of knowing what has happened in the past. They are only interested in the now. We love that Buffett and Munger say the secret to life is weak competition (thank you).

What got us going on this thought process of age and experience is the Lauren Daigle song, "Still Rolling Stones." The words we believe typify what value investors felt last spring and foreshadow what millennials are likely to tell themselves in the future as they gain experience.

## Value in March of 2020

The bear market of 2020 was swift and destructive. It punished many stocks. It felt like it put value to death as we watched a cascade of cheap stocks getting cheaper. Then the bottom was found, and value has been rising ever since. Ms. Daigle lyrics tell the story:

*Out of the shadows. Bound for the gallows. A dead man walking. Till love came calling. Rise up (rise up). Rise up (rise up)*

*Six feet under. I thought it was over. An answer to prayer. The voice of a Savior. Rise up (rise up). Rise up (rise up)*

*All at once I came alive. This beating heart, these open eyes. The grave let go. The darkness should have known (You're still rolling rolling, you're still rolling rolling oh). You're still rolling stones (You're still rolling rolling oh). You're still rolling stones*

A value investor's experience served them incredibly well versus the novice investor in the spring of 2020. You are what you are. You can't be what you are not, according to Aristotelian logic. While the value investors' logic served them well, what most people really lack is faith. Faith is believing what you can't see. This is most of investing. In a world where we can get information instantly, why have faith? The problem is the future is always unknowable. We all assume faith whether we know it or not. To steal more from Aristotle, it's the difference between potentiality and actuality.

## To 2021 and Beyond

There is an old proverb that a man with money runs into a man with experience. After meeting each other, the man with money ends up with experience. The man with experience ends up with the money. In investing, this has happened like clockwork. It's the process of moving money from weak hands to strong hands. Does this mean young investors won't learn? No. They always learn, but few stick to the lessons they've learned. It's why stock market failure is so common.

This leads to me to the next part of Ms. Daigle's song. She writes lyrics to the part of her hit song that sound exactly like what we expect my age group (millennials) to be saying in three years, a while after value has done well. When commenting on value investing, it is our opinion millennials will say:

*Now that You saved me. I sing 'cause You gave me. A song of revival. I put it on vinyl. Rise up (rise up). Rise up (rise up)*

*I once was blinded. But now I see it. I heard about the power. And now I believe it. Rise up (rise up). Rise up (rise up)*

This tune will sound exactly like Baby Boomers and Gen Xers sung to themselves 2000-2003 as they all gained a "song of revival" in the aftermath of the tech bubble breaking.

### You're a Value Investor or You Aren't

In Buffett's 1999 Berkshire Hathaway shareholder letter he stated:

*Even Inspector Clouseau could find last year's guilty party: your Chairman. My performance reminds me of the quarterback whose report card showed four Fs and a D but who nonetheless had an understanding coach. "Son," he drawled, "I think you're spending too much time on that one subject."*

*My "one subject" is capital allocation, and my grade for 1999 most assuredly is a D. What most hurt us during the year was the inferior performance of Berkshire's equity portfolio -- and responsibility for that portfolio, leaving aside the small piece of it run by Lou Simpson of GEICO, is entirely mine.*

Every value investor, either through the environment around them or their own poor investment decisions, will find themselves at a juncture where they find themselves deep in a hole. This was the deepest Buffett had ever dug himself up to that point. The same experiences that got him into that hole were the same ones that got him out of it. He was blessed by God (Buffett's ovarian lottery) to practice delayed gratification. He also had plenty of experience as a value investor to know what was in front of him: His name was being called. As Ms. Daigle puts it:



*I thought that I was too far gone. For everything I've done wrong. Yeah, I'm the one who dug this grave. But You called my name. You called my name.*

*All at once I came alive. This beating heart, these open eyes. The grave let go. The darkness should have known (You're still rolling rolling, you're still rolling rolling oh). You're still rolling stones (You're still rolling rolling oh)*

Warm regards,



**Cole Smead, CFA**

President  
Portfolio Manager

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