Dear (future) partner,

"Almost all of the successful company founders began as poor men. It was through hard work and wits that they climbed the economic ladder."

This quote is from the letter addressed to shareholders from Mr. Ronnie C. Chan, Chairman of the Hong Kong based Hang Lung Group in 2016, better known as the Warren Buffett of Hong Kong. I added Hang Lung Group to my portfolio just to find out a few months later why it was a too perilous investment for me at this time.

Value investing is a risk averse investment approach. Focus on the downside risk, and only if the chance of losing money is small, you look at the upside potential. There is no room for Tesla and Bitcoin in my approach. I am perfectly happy that people get rich from this type of speculation. In the Dutch Golden Age, people became very wealthy from buying tulip bulbs.

Value investing is not a contest of who makes the most money. It's a very conservative approach for capital preservation. You just want to make sure that you don't lose money. Recently, I did buy some tulip bulbs, although. I enjoy gardening.

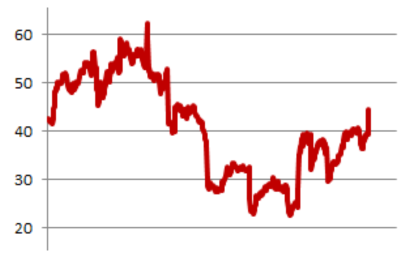
Veritiv

Veritiv is not an investment opportunity that hits you over the head immediately. It took me quite some time studying the company just to find out that in fact, it is a very exceptional investment opportunity for those who are willing to be very, very patient. If you want to receive the full write-up on Veritiv, drop me an email: peter@thevaluefirm.com.

The Veritiv business will change materially over the course of time. In the long run, approximately 95% of the adjusted EBITDA will be comprised of the packaging & services business (80%) and facility solutions (15%). The packaging & services market are poised to experience steady growth; much of it is closely tight to the ongoing boom in the swift growing e-commerce strategy across major North American markets. Veritiv is already the market leader of the growing packaging market in North America and will become more and more dominant as a result of their unmatched competitive advantages and their power to lead this market with customer tailored innovations & smart acquisitions.

Nowadays, leading brands are leveraging packaging and supply-chain efficiencies as a competitive advantage. By making packaging a part of the product development process and implementing strategic improvements throughout the supply chain, businesses around the world are boosting their top and bottom lines through strategic packaging—and, Veritiv aims to be at the forefront to help these businesses thrive. Once Veritiv is deeply ingrained in the supply chains of these S&P 500 companies, these companies will not switch to competitors easily, especially knowing that there are hardly any competitors offering the kind of service solutions that Veritiv does.

Let's have a look at the price movements since I bought the stock:



Initially I bought stock at $42. The stock went all the way up to $62 and, then, all the way down to $28. And, I informed you about the $30 hedge I had in place, up until 19 January 2018. After I published my 2017 letter to partners, I bought more stock in Veritiv at $28.

On 7 November 2017, as a result of a disappointing Q3 2017 financial update, the stock went down 20%, and a day later, even further to $20.40. I exercised the put options at $30 and invested the money to buy more stock at $22.40. If you sell at $30, you can buy back approximately 30% more stocks at $22.40. As a result, the Veritiv investment will be 15% more profitable beyond the break-even point, which is at $35.

This is a company getting ready for optimization and long-term growth. I just love free cash flow, and I am more than happy to read that Veritiv is ready to generate free cash flow of at least $30m in 2018. The leadership team has shown before that they have the ability and courage to execute, and I do believe they will be able meet their 2018 free cash flow target.

The ability not to sell a stock during times of adversity is very important. Suppose you did your thorough due diligence on Veritiv and bought stock at $55, I am quite sure that most of the investors would sell the stock when it went down to $20.8 (more than 50% decline in just a few months). I did not sell the stock. In fact, I bought more. And believe me, that is a very painful mental exercise because you are never 100% sure that you are right on your investment thesis.

The reason why I write in such a detail on the price movements of the Veritiv stock is that I want (future) investors to understand and realize that this type of hefty volatility is common in a portfolio of stocks that I prefer, and it will most certainly happen again and again.

As Mike Tyson famously said, "Everyone has a plan until they get punched in the face." Are you willing and able to stay the course when adversity and stock price turbulence takes over? It takes a lot of conviction and mental courage to buy more, when the stock goes down. It is a crucial skill for successful investing.

Veritiv seems to be a classic low-risk high-uncertainty stock and the Street hates uncertainty. The long-term investment thesis remains strong and intact, and I will continue surfing the waves of short-term uncertainty.

Take the Buffett road

In the 1993 annual report of Berkshire Hathaway, Warren Buffett sums up his criteria for evaluating the risk of an investment. Here are four of them: the certainty with which the long-term economic characteristics of the business can be evaluated, the certainty with which management can be evaluated, both as to its ability to realize the full potential of the business and wisely deploy its cash flows, the certainty with which management can be counted on to channel the rewards from the business to shareholders rather than itself, and the purchase price of the business (the company has to trade at a price that makes sense).

Buffett looks for well-run, dominant enterprises producing consistent results. He considers "economic reality" over accounting statements, and he values business simplicity, managerial expertise and reputation highly.

You could argue that all of these aspects are covered in the "Buffett & Munger four-filter system", which I consider to be a very compelling approach.

Filter 1. Understanding.

The first filter is often taken too lightly. How can you possibly make any intelligent and informed decisions about the potential and success of the company if you do not understand the business and its business environment? It is not just about the companies' products and services (business model, customer loyalty, and pricing power). It is also about the industry outlook and the competitive dynamics of the industry, and these can be very hard to assess.

Filter 2. Durable competitive advantages.

Charlie Munger and Warren Buffett are undoubtedly the pioneers of "moat investing". Buffett called companies "economic castles" and used a medieval analogy for what he looks for in a business and the managers running it. In capitalism, people are going to try to take that castle from you; so, you want a moat around it as well as a knight in that castle who is pretty darn good at warding off marauders.

Charlie Munger stresses the importance of figuring out how big a moat there is around the business. "What I love, of course, is a big castle and a big moat with piranhas and crocodiles. The problem is that it's relatively easy to identify a company that is doing well. It's much harder to look into the future and determine if that company will continue to do well. Identifying a wide and durable moat is a tough task and a task that's hardly an exact science."

Filter 3. A high caliber leadership team.

One of the most important investment criteria Buffett uses is a high caliber CEO. During the 2016 Berkshire Hathaway Annual Shareholders Meeting, Warren & Charlie discussed why they were willing to pay such a high price for the Precision Castparts acquisition, and they mentioned their confidence in CEO, Mark Donegan.

"A business, like Precision Castparts, requires a very superior management that's going to stay superior for a long time. It's simply amazing how well it works. I think, to some extent, we've gotten almost as good at picking superior managers as we were in the old days of picking the no-brainer businesses. It's very important that you have somebody there with enormous skill running this business, and their reputation among aircraft and engine manufacturers is absolutely unparalleled."

Another great example of the importance of an exceptional CEO is the unconventional conglomerateur, Henry Singleton of Teledyne. If you can find a Henry Singleton look-alike… go for it!

Filter 4. A price that makes sense.

Buffett welcomes lower market prices of stocks as an opportunity to acquire even more of a good thing at a better price. Or, in his own words, "Our experience has been that pro-rata portions of truly outstanding businesses sometimes sell in the securities markets at very large discounts from the prices they would command in negotiated transactions involving entire companies. Consequently, bargains in business ownership, which simply are not available directly through corporate acquisition, can be obtained indirectly through stock ownership."

Often underestimated, when figuring out if a stock is cheap or expensive, are the interest rate levels. If interest rates are low, it makes any stream of earnings from investments worth more money. "The bogey is always what government bonds yield."

In a 2017 interview video clip found using the CNBC's Warren Buffett Archive, Buffett explains why rates matter so much for stock investors. "Any investment is worth all the cash you're going to get out between now and judgment day discounted back. The discounting back is affected by whether you choose interests rates like those of Japan or interest rates like those we had in 1982," Buffett said in 2017. "When we had 15% short-term rates in 1982, it was silly to pay 20 times earnings for stocks."

Buffett and Munger have been using these same four filters since 1972 and, obviously, it is working for them. If you're interested in studying the investment approach of Warren Buffett, just go to buffett.cnbc.com. It's an amazing collection of videos, documents, and insights.

Never borrow money

If you study the investment style of Warren Buffett, you will probably find that he uses leverage and that he advocates not to do that. It seems paradoxical, but in fact it is not.

For example, in his 1962 letter, he states, "I believe in using borrowed money to offset a portion of our workout portfolio, as there is a high degree of safety in this category in terms of both eventual results and intermediate market behavior." And, then, we have a 2012 study from AQR Capital Management that says that the real secret behind Warren Buffett's stellar track record is not great stock selection, it's portfolio leverage.

In his early years, Munger was also happy to borrow money to accelerate his returns. It has been stated that he did enormous trades with borrowed money, like British Columbia Power, which was selling at around $19 and being taken over by the Canadian government at a little more than $22. Munger did not only put his whole partnership, but also all the money he had and all that he could borrow into an arbitrage on this single stock—but only because there was almost no chance that this deal would fall apart. You could easily question if Munger's success by then was a result of his extreme genius or just pure luck.

Warren Buffett is very clear about the dangers of using leverage: "Leverage is the only way a smart guy can go broke. History tells us that leverage, all too often, produces zeroes, even when it is employed by very smart people." (LTCM and Lehman Brothers).

The mistake many investors make is that they try to emulate Buffett's use of leverage with a margin account. That's a very dangerous approach for using leverage. "Margin trading is dangerous because the person giving you credit can wipe you out at the bottom tick just because he feels nervous. Berkshire avoids that stuff where someone else can sell your securities, because they feel nervous."—Quote Charlie Munger.

Instead, Buffett prefers the following alternative sources of leverage: float and deferred taxes. These alternatives are cost-free, have no covenants or due dates attached and, thus, are much safer sources of leverage. Unless you have an insurance company in your backyard, you will not be able to emulate that. Buffett will not receive any margin calls, and if you use a margin account, you are subject to the risk of margin calls.

You might argue that you can use hedging techniques for limiting the downside risks of using leverage in a margin account. That doesn't make it less dangerous, and it is certainly not easy. And, here is my argument against it. Everybody makes mistakes now and then. Perhaps you remember the very experienced derivatives trader, Nick Leese? If you make a hedging mistake during times of severe market turbulence, the results can be disastrous and wipe you out for good.

What happens when the stock exchanges shut down in response to a panic? During the panic of 1873 (by then nearly 10.000 businesses failed), there was a 10-day closure followed the failure of Jay Cooke & Company bank. If that happens, you will not have access to your margin account for preventing margin calls (add cash, add hedging, roll over options, etc.). Your broker won't hesitate to just close your account if you violated their adjusted margin rules. Some investors have been shocked to find out the hard way that the brokerage firm has the right to sell their securities that were bought on margin—without any notification, and at times, leaving their customers in personal bankruptcy.

Brokers use "sophisticated" liquidation software to automatically close down accounts that violate the margin rules. And brokers can and must adjust the margin requirements during times of turbulence. In fact, they use real-time margining software, and during volatile trading periods, margins can be increased a little or a lot without any notice to you. There are several lawsuits against brokers that accuse the broker, for e.g., of unlawful management of a number of portfolio margin accounts. And there is an example of a brokerage firm's system for selling securities from clients' accounts to pay margin debt that backfired, leaving a fund with hefty losses.

Now, you might think this will not happen to you, because you are a professional. Recently I received an erroneous warning on a margin cushion: "-100% remaining". Just think about that for a moment. This happened as a result of a problem the broker had with "position display" and, fortunately, there were no financial consequences. This was a software problem during times of market stability. Try to imagine what can happen during times of market turbulence, when markets move up and down very, very nervously? Or what can happen to this liquidation software, when a cyber security incident hits the brokers trading platform?

Buying stocks on margin is one of those things that might appear on the surface to be a great way of making money. Investing on margin is essentially investing with borrowed money. This inherently risky method of investing can lead to total bankruptcy and ruin your financial, personal, and business life.

Even if the account blows up, you are on the hook for the money immediately. No payment plan. No negotiating terms. If you don't pay, the broker can haul you into court to start getting judgments for seizing your other holdings, ultimately requiring you to throw yourself at the mercy of a bankruptcy judge.

During the Crash of 1929 proceeding the Great Depression, maintenance requirements were only 10% of the amount of the margin loan! If an investor wanted to purchase $20,000 worth of stock, he would only be required to deposit $2,000 upfront. This wasn't a problem until the market crashed, causing stock prices to collapse. When brokers made their margin calls, they found that no one could repay them, as most of their customers' wealth was in the stock market. Thus, the brokers sold the stock to pay back the margin loans. This created a cycle that fed on itself until, eventually, prices were battered down and the entire market was demolished. It also resulted in the suspension of margin trading for many years.

There are many examples of entire retirement accounts that were wiped out and some investors talking about contemplating suicide.

You should read Buffett's latest letter to shareholders, where he stresses, once again, his aversion to leverage. "A stock market crash can happen anytime. No one can tell you when. The light can, at any time, go from green to red without pausing at yellow. When the market starts to go down, a lot of people overreact and start to panic. An unsettled mind will not make good decisions."

Seth Klarman (who doesn't have an insurance company in his backyard, as far as I know) once said, "I side with those who are unwilling to incur the added risks that come with margin debt. Avoiding leverage may seem overly conservative, until it becomes the only sane course."

Hang Lung Group

When I bought stock in Hang Lung Group, it traded at less than 0.5 times tangible book. The company, by then, had a market cap of 37.2B HKD (the equivalent of 4.2B

USD), a very solid balance sheet, a multi-year gross margin around 70%, and a unique business model with almost no debt. It grows free cash flow through the long-term holding of the best commercial properties in several promising cities in China. Actually, I "cloned" this investment from the New York-based investment company, Tweedy Browne.

Hang Lung specializes in luxury shopping malls in China. The company is controlled by the Chan family, which built the business in China practically from scratch in about 15 years. They have a great eye for location and, then, step-by-step they develop the mall. And, often, they are surrounding real estate with an eye to attract high-profile retailers and high-quality office tenants that drive additional traffic to the mall. Over the past ten years, the company's book value has grown from just under 19 HKD per share to over 55 HKD per share.

The strategy of the Hang Lung Group is clear: to follow the success of their Shanghai developments with stunning world-class shopping malls and office towers in some of China's fastest growing cities. And, they have the strengths for achieving these goals with a competitive advantage that will make them Mainland's leading commercial real estate developer, owner, and manager. Having spent years in researching the cities poised for spectacular growth and developing the relationships that are needed to bring their plans to fruition, they are now poised to make the China market the center of their future growth and expansion plans. In this endeavor, the Hang Lung Group is way ahead of Hong Kong and Mainland developers because the vision is something that they have honed from scratch, based on their solid experience and expertise.

Global luxury brands came into China hand in hand with Hang Lung. In the early days, you could find the flagship stores of most luxury brands in Shanghai's Plaza 66. Through years of cooperation, Hang Lung has cultivated great relationships with global brands. You can now find similar brands in Hang Lung's new projects in second-tier cities. Hang Lung has clearly positioned itself as the host of global high-end brands, and there is massive growth potential in the long term.

What I also like about Hang Lung is that they prioritize commitment to integrate sustainability into every facet of its business. They remain focused on building and operating their properties in a sustainable fashion. "We are not running a for-profit business just for ourselves, but for the wider benefit of the communities in which we operate, creating value for the economy, society, and the environment, which we consider essential to sustaining long-term growth."

Perhaps you have some doubts about this investment, and you are afraid that the property bubble in China will burst. Property prices have been moving in big cycles, especially in the emerging markets and are highly correlated with the monetary policy. For a company with almost no debt and a predictable management team like Hang Lung, it is easier to look into the long term. Hang Lung's China portfolio consists of best properties at best locations in cities with over 10 million people. A "hard landing" will actually be positive to Hang Lung in the long term. Managements' track record suggests that they will definitely use the strong cash flow and balance sheet to take advantage of the crisis. An investment in Hang Lung is one where long-term investors should be happy to see a crash.

In general, you could argue that China is one of the best places for business. One Belt and Road Initiative, the modern-day version of the old Silk Road, enunciated by President Xi Jinping, should help keep China's economy growing for many years to come. The aim of this 900 billion USD scheme is to kindle a "new era of globalization", a golden age of commerce that will benefit all.

Thinking about this "New Silk Road", there are two companies I added to my "watch list". **China Merchants Port Holdings**, the largest public port operator in China, has been actively extending its reach down the tendrils of the Belt and Road. With investments in 29 ports around the world, the shipping giant is planning to move deeper into Southeast Asia, Turkey, Africa, the Baltics, and Russia over the next three years.

And, then, there is the **China Railway Construction Corporation**. It has been rumored that it is a Li Lu holding. The company currently has 111 projects underway in 37 countries along the Belt and Road that are worth more than $15 billion combined. The company also recently signed a deal to build a $12 billion rail line in Nigeria, inked an MOU with Thailand for a new railway, and is currently working out the details with India for a high-speed rail line that will stretch from Delhi to Chennai. It is also gunning for the proposed $60 billion Moscow to Beijing high-speed rail line.

Although China looks very attractive as a destination for investments, I still sold the Hang Lung Group stock after a few months. The main reason for doing this is not that I doubt the long-term prospects of the Hang Lung Group, but because of the risk of high leverage in the Chinese financial system.

High leverage is the ultimate origin of macro financial vulnerability, and according to central bank governor, Zhou Xiaochuan, China's financial system is becoming significantly more vulnerable due to high leverage. He warns of sudden, contagious, and hazardous financial risks.

Some high-risk activities are creating market bubbles under the cover of "financial innovation". Some Internet companies that claim to help people access finance are actually Ponzi schemes, and some regulators are too close to the firms and people they are supposed to oversee. But, one of the main concern is the majority of the financial action taking place beyond the reach of regulators. China's shadow banking sector, unregulated loans mostly, is hard to quantify with any precision; but, analysts agree it has the potential to put the financial system at risk.

Kyle Bass, founder of Hayman Capital Management, has warned of a looming crisis. Jim Chanos, the hedge fund manager who predicted the 2001 collapse of Enron Corp., stated that Chinese banks are showing signs of loan stress. The International Monetary Fund warned that China might eventually suffer a "sharp adjustment" unless it addresses its indebtedness. And, both S&P Global Ratings and Moody's Investors Service cut China's sovereign credit rating in 2017 for the first time during the current millennium, citing the risks from soaring debt.

The optimists argue that the authorities would bail out distressed lenders before any crisis threatens the financial system. Failed banks might even be dealt with quietly before anyone outside China knew, and some argue there's little chance of a financial meltdown because the biggest slice of China's debt pile is carried by state-owned enterprises. In the worst case, the government could take over some liabilities.

Seth Klarman frets about Chinese leverage and wealth management products that seem to have adopted a page from the 2008 opaque derivatives playbook. Klarman recognized the issues and addressed them in his 2017 year-end review and warned of a potential "bloodbath". And, that's the reason why I think that an investment in Hang Lung Group at this time is too risky to me.

My company

When I started The Value Firm®, the idea was to launch a new fund. As of today, I just didn't, and I do not regret that at all. In 2016, I visited the LatticeWork Conference in New York and, in my personal introduction, I wrote that if you envision Warren Buffett and Charlie Munger in stage 10 of successful investing, I felt I was still scratching the surface of the introductory course to stage 1. And up to today, I continue to believe that there still is so much to learn.

What I know by now is that it not only requires a lot of knowledge, studying companies and industries, and learning from mistakes, but also accumulated experience, especially in terms of "the right temperament". As of today, I put an enormous emphasis on understanding and dealing with risk. It's not just how well you do in your investments, but also how much risk you take for getting your return.

What I learned from studying "Capital. The Story of Long-Term Investment Excellence" by Charles D. Ellis is that the best time to start a new fund is when the markets are way down. And that just isn't so.

Bridgewater Associates, the world's largest hedge fund, is already sounding the alarm on nearly every financial asset. "We are bearish on almost all financial assets," the firm said. "2019 is setting up to be a dangerous period for the economy, as the fiscal stimulus rolls off while the impact of the Fed's tightening well be peaking," the firm continued. "And, since asset markets lead the economy, for investors the danger is already here."

If I had to start a fund today, it would be strongly hedged with a lot of cash, waiting at the sidelines for better investment opportunities. If that's of any interest to you, I am happy to discuss that. Just drop me an email and we can start a conversation.

There is a lot of reason for being cautious before starting a new fund. In May 2018, there was a great article in Forbes Magazine, where Whitney Tilson talked candidly about the rise and fall of Kase Capital.

"Tilson beat the market from 1999 through mid-2010 almost every year. The fund grew from $1 million to $200 million under management. But as the economy recovered and stocks rallied, Tilson developed the view that the market was ahead of the fundamentals, so he positioned the fund defensively, holding a lot of cash and carrying a meaningful short book, waiting for the next big downturn.

This conservative positioning led to his fund significantly underperforming this long bull market over the past seven years, which caused his investors to get fatigued and assets to shrink to $50 million. More importantly, he was miserable: month after month, year after year, he felt like he was letting his investors down, so he finally decided to pull the plug last fall."

So, even a very experienced and respected investor like Whitney Tilson closed down his fund as a result of underperformance. By the way, I never understood why investors like Whitney Tilson want to short stocks. Even Li Lu admits that shorting was one of the worst mistakes he has made.

A great reputation and track record is by no means a guarantee for future results. Bill Ackman's hedge fund empire crumbled in less than 3 years from public wrong-way bets on Herbalife, Chipotle. The majority of institutional investors including longtime partner Blackstone Group are leaving Ackman's Pershing Square hedge fund.

And what to think about David Einhorn. Greenlight Capital lost 5.4 percent in the second quarter 2018, bringing the performance of its funds to a year-to-date loss of 18.3 percent. David Einhorn says over the last three years, Greenlight's fund performance has been "far worse than we could have imagined, and it's been a bull market to boot."

And then we have Bruce Berkowitz. His performance between 2000 and 2010 was lauded and he was named Domestic Stock Fund Manager of the decade by Morningstar. However, since 2010 he has suffered long periods of underperformance and in October 2017, Berkowitz started liquidating Fairholme Capital's hedge fund.

Launching and building a successful fund is extremely difficult, especially these days. Growing a fund is really hard and very few people succeed in doing it. Tilson: "I can't tell you how many energetic, talented young investors I've seen over the years launch funds, get to $5-10 million under management and, then, stall out, never growing beyond this. At this size, the business is losing money—not to mention the opportunity cost of not having a job and earning a salary—so these folks are just bleeding, year after year, refusing to give up on their dream… but it never materializes."

Recently, I watched a presentation on YouTube by Brian Bares of Bares Capital Management. And, he reminded me about the importance of building a differentiated investment process that is hard to replicate.

What I prefer doing is running a concentrated portfolio (15 stocks) of very exceptional and unique investment opportunities. Often, I find them by studying the portfolios of successful investors. Veritiv is such an example, which I just copied from Seth Klarman. The unique differentiator is, I believe, the deep understanding of why the opportunity is so exceptional and why the stock might turn out to be a multibagger. The quantitative aspects in the investment process are important—the best investment decisions are made by focusing on the qualitative differentiators of businesses. You don't want to make a mistake on the business quality and the management quality.

Obviously, price is important; but, too much focus on price limits your investment opportunity universe. Coca-Cola was trading at 45 times earnings in the 60's. If you bought it then and hold on to it the next 4 decades, your return would gravitate to the ROE of the business, the longer you hold on to it. So over 4 decades, you probably still would be compounding in the high teens or low twenties.

Another differentiator is the fee structure. If you want your investment manager to behave with your best interests in mind, you have to ensure that your interests are aligned. The best way to do that, I believe, is the original Buffett Partnership fee arrangement, where the interest provision is set at 6% for everyone, beyond which your investment manager will take 25% of the gains. Since the market are going up 5-7% a year on average, the interest provision is set at a level so the investment manager earns nothing unless he beats the market. I have a "high-water mark" in place—any cumulative deficiency below a 6% annual gain will have to be recouped before I will resume taking fees.

And finally, what differentiates me from many other investors, I believe, is that I spend more time thinking about risk management and hedging. I consider risk management skills just as important as good stock picking skills. If done well, risk management is indeed a competitive advantage. It's key to generating higher returns, setting a bottom for potential losses, improving margins, and raising the confidence of clients, investors, and shareholders.

I always look for "cheap insurance". When appropriate, individual stocks might be hedged with put options; the portfolio might be hedged with index-puts and even currencies might be hedged. What I try to do is overlay the portfolio of value stocks with a kind of disaster insurance.

Charlie Munger reminded us that the most important aspect of risk management is the right temperament. Probably, the biggest risk in investing is “panicking near a market bottom and selling out”. Many, many investors swore that they never ever do such a thing and they do exactly that. There is a lot of value in staying calm when adversity takes over.

So here we are

I started this letter by quoting Mr. Ronnie C. Chan, Chairman of the Hong Kong based Hang Lung Group, and I might as well end with Mr. Chan.

“We should count ourselves fortunate to be doing business in East Asia, particularly in the relatively stable and biggest developing country in the world, China. Economic growth in this country will remain among the highest in the world. The combination of size and speed is unseen in human history and should be advantageous to our business.”

There is this huge and agonizing dilemma of investing in China, where Seth Klarman warns of the risk of a potential “bloodbath”, as a result of Chinese leverage and, where, Warren Buffett reminds us that what the Chinese have done in the last 50 or 60 years is a total economic miracle and that he believes the growth story is far from over. And, with that, I wish you all the best.

Thank you for reading my letter!

Cordially,

Peter

Peter Coenen, 12 August 2018.
Founder & CEO of The Value Firm®
E-mail: peter@thevaluefirm.com