

# Performance

3 February 2019

Over the first 5 years the company compounded @ an exceptional average annual growth rate. The strategy of investing on leverage while limiting the downside risks with option trading worked out fine.

In 2016 I decided to scale down tremendously on leverage and follow the advice of Warren Buffett: "You really don't need leverage in this world much. If you're smart, you're going to make a lot of money without borrowing," he said. "I've never borrowed a significant amount of money in my life. Never. Never will. I've got no interest in it."

I started a new approach, called "Intelligent Cloning" and I will continue using this approach probably for many, many years and I will optimize it, if necessary, as I move forward.

A "cloneable" is an investment idea of an exceptional investment manager, that is within your circle of competence and is trading at an attractive price. The price you want to pay depends on the certainty of the future cash flow streams of the company in the light of the current interest rate environment.

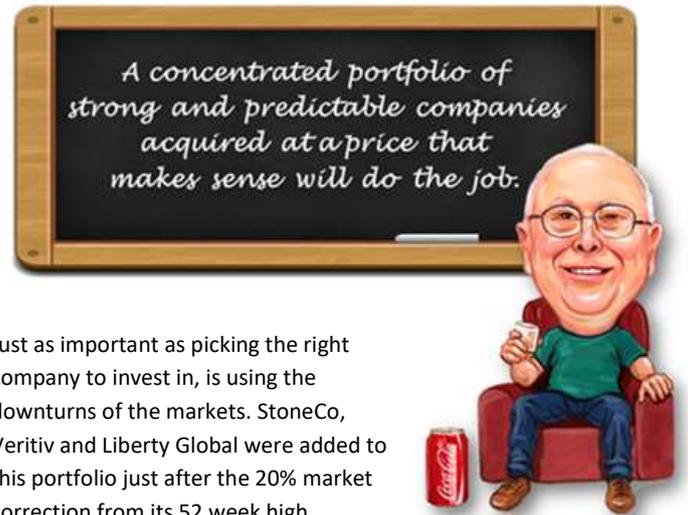
## Current positions

When	Company	Price	Return
2H '16	Deere	87 USD	95,0 %
2H '16	Allison Transmission	29 USD	72,2 %
1H '17	Davita	65 USD	(13,5 %)
1H '17	Verisign	83 USD	105,4 %
2H '17	Monro	47 USD	56,5 %
1H '18	Sinclair Broadcast	30 USD	5,0 %
2H '18	StoneCo	17 USD	34,2 %
2H '18	Veritiv	24 USD	42,9 %
1H '19	Liberty Global	22 USD	12,5 %

## Closed positions

When	Company	Price	Sold	Return
2H '17	Tegna	13 USD	2H '18	2,7 %
1H '18	Esterline Corp.	72 USD	2H '18	69,5 %

These are not actual fund results, but it illustrates what the results could have been if we indeed started an investment partnership in 2H '16. The stocks are selected with the idea to hold on to these companies for many, many years. Preferably decades, as long as the company remains a good company.



Just as important as picking the right company to invest in, is using the downturns of the markets. StoneCo, Veritiv and Liberty Global were added to this portfolio just after the 20% market correction from its 52 week high.

In 2H '18, I sold both Tegna @13 USD and Esterline Corporation @122 USD. The rationale behind selling Tegna is that David Einhorn sold the stock, so there is no backing any more from one or more super investors I admire. The rationale behind selling Esterline Corporation is that TransDigm announced to acquire Esterline for \$122.50 per share in cash.

Howard Marks once wrote a book, entitled "The most important thing", where he argues that there are so many "most important things" in investing, that it is very hard to pinpoint the most important one. Knowing that, my number 1 would be the certainty of the future cash flow streams of the company.

You just don't know what the markets are going to do tomorrow, next week, next month or even next year. Markets can go berserk on the downside and then you have to have the conviction to hold on to the company. That conviction comes from the certainty of the future cash flows streams. And obviously, markets can go berserk on the upside as well, which might lead to an opportunity to sell @ a profit.

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