



## Summer 2022 Edition

Welcome to the Summer 2022 Edition, Part 2, in which we'll have a look at the Intelligent Cloning Portfolio, the India & China investing robots, and more. But first let's correct an error, or typo if you will, that I found in part 1. In the last paragraph on the first page, it says "May 2011." That should be "May 2012." And let me remind you of [The Wizard Portfolio 2022 Update](#).

### Intelligent Cloning Portfolio

Cloning works! Identifying the best investment teams, studying their 13Fs, and if the investment makes sense to you, copying the idea, a process better known as cloning, really works, and I believe will continue to work for many decades. What remains critical, though, is not only who you want to copy, but even more importantly, the in-depth due diligence. You have to understand the company and its environment better than anyone else, and that makes cloning, which has this connotation of being simple, actually very hard. Just copying ideas, like a gorilla throwing darts at a board with 13F ideas on it, is kind of madness.

Even the process of identifying the ideas you want to study is hard. If, for instance, you study the latest ideas of Warren Buffett and Seth Klarman, which are the ones you want to spend your time on? What really helps, but that already takes a lot of experience, is to scan the list of new cloneables for their uniqueness and idiosyncrasy. That's how I got to, for instance, Verisign, a Berkshire Hathaway holding, and Veritiv, a Baupost holding.

Cloning, to me, is a tollgate to exceptional investment ideas. You just know that if you start your due diligence with ideas from very thoughtful and successful investment managers, there is a lot of safety guaranteed because the ideas have already been extensively researched. People frequently object to cloning because it lacks originality, but I guess I value safety far more than originality.

Let's have a look at the Intelligent Cloning Portfolio. Let me remind you once again that these returns are not actual fund results, nor does this table necessarily reflect any of my personal holdings. The table illustrates what the results could have been if we indeed started an investment partnership in 2H '16. The stocks are selected with the view of holding on to these companies for several years, preferably decades, as long as the company remains a good company.

#### Current positions

When	Company	Price	Return
2H '16	Deere	87 USD	302%
2H '16	Allison Transm.	29 USD	40%
1H '17	Davita	65 USD	28%
1H '17	Verisign	83 USD	120%
2H '18	StoneCo	17 USD	-43%
2H '18	Veritiv	24 USD	414%
1H '20	eBay	30 USD	60%
2H '20	XPEL	15 USD	303%
2H '21	Daily Journal	344 USD	-21%
1H '22	IDT Corporation	35 USD	-25%

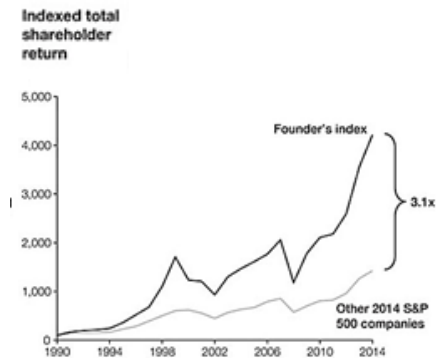
#### Closed positions

When	Company	Price	Sold	Return
2H '17	Tegna	13 USD	2H '18	3%
1H '18	Esterline Corp.	72 USD	2H '18	70%
1H '18	Sinclair Broadcast	44 USD	2H '19	46%
1H '19	Liberty Global	22 USD	2H '20	5%
1H '20	Graftech	12 USD	1H '21	2%
2H '17	Monro	47 USD	2H '21	38%

The big disappointment came from StoneCo, the Brazilian FinTech company, which, after a fantastic run from \$17 to \$92, went down from \$92 to \$8. This kind of volatility is exceptional, but you better get used to it. Those things happen.

The latest addition, IDT Corporation, was copied from Alta Fox Capital when the stock was already down a lot as a result of the crash, but it went even further down, as many other stocks did. IDT Corporation is a founder-led company. In general terms, you could argue that founder-led companies outperform the rest. Chris Zook and James Allen wrote a book, entitled "The Founder's Mentality", in which they show you that the returns to shareholders in public companies

where the founder is still involved are 3x higher than in other companies.



## The China Robots

The midyear robots buy the stocks on the first trading day in August and sell them on the last trading day in July. It's fair to say that the China robots did not live up to their expectations, with the exception of Q25. The three-year CAGR results of all the other China robots are all in negative territory.

What we saw in the first three years of their existence is that there were two major crashes in three years, which is way above the statistical average of one crash every seven years:

- During the 2020 midyear term, which lasts from 1 August 2019 to 31 July 2020, the COVID-19 pandemic led to a decline top-bottom of 26% for its benchmark, the MSCI China Small Cap Index.
- In the 2022 midyear term, the MSCI China Small Cap index at its worst point was down approximately 33%.

If the Chinese markets continue to behave like crazy, resulting in this type of vicious volatility, these robots don't have a chance. My best guess is that if China does not offer my robots a better work environment, they will flee the country and find themselves a cozy place in the sun in Copacabana.

But I'm optimistic and expect that the Chinese markets will eventually behave like the more mature US stock markets and show an average of one crash every seven years. You can find the results of the China Robots in the attachment.

Join me on a trip down memory lane as we examine the historical performance of the best performing China robot, Q25, with a three-year CAGR of 23.2%.

### 2020

Company	Begin	End	Div	%
IGG Inc	7.3	7.4	0.3	6.0
Tianneng Power	6.2	18.2	0.4	197.0
Consun Pharma	4.7	2.9	0.2	-33.9
				56.4

There are no conditional selling orders on the China robot Q25.

### 2021

Company	Begin	End	Div	%
Dongyue Group	3.5	15.2	0.1	339.5
Yadea Group	6.5	12.6	0.3	97.1
Bright Scholar Ed.	7.3	3.5	1.6	-29.1
				135.8

There are no conditional selling orders on the China robot Q25.

### 2022

Company	Begin	End	Div	%
Jiayuan Int. Group	3.0	0.3		-90.8
Pax Global Tech.	8.6	7.3	0.1	-13.0
Homeland Interact.	2.8	1.6		-44.2
				-49.3

There are no conditional selling orders on the China robot Q25.

Wingardium Leviosa! Here are the new China constituents, to be bought on the first trading day in August 2022 and sold on the last trading day of July 2023.

Company	Business profile
Fire Rock Holdings	Fire Rock Holdings Limited is a investment holding company principally engaged in the development of browser and mobile games.
IVD Medical Holding	IVD Medical Holding Ltd is mainly engaged in the sales of in vitro diagnostic products
Binjiang Service Group	Binjiang Service Group Co. Ltd. is an investment holding company mainly engaged in property management services.

## India Robots

As far as robot performance is concerned, China is left in the dust and shadows by India. What we saw in the first three years of their existence is that there was just one major crash.

- During the 2020 midyear term, the COVID-19 pandemic led to a decline top-bottom of 44% for its benchmark, the MSCI India Small Cap Index.

The COVID-19 crash of the benchmark index had no effect on Indian robots in any way. The worst performing India robot shows an outstanding three-year CAGR of 28.1%. All India robots vastly outperformed their benchmark, the MSCI India Small Cap index, which was up 56% since August 1, 2019, which is the equivalent of a three-year CAGR of 16.0%.



Join me on a trip down memory lane as we examine the historical performance of one of the best performing India robots, Q31, with a three-year CAGR of 32.9%.

#### 2020

Company	Begin	End	Div	%
Sonata Software	316.0	264.5	20.2	-9.9
Persistent Systems	514.9	823.9		60.0
NIIT Tech.	1198	1928	31.0	62.6
				37.5

NIIT Tech was renamed COFORGE. Both Persistent and NIIT triggered the +60% sell order.

#### 2021

Company	Begin	End	Div	%
Eclerx Services	480.2	768.4		60.0
Expleo Solutions	272.9	436.6		60.0
Accelya Solutions	983.2	1376.5	35	43.6
				54.5

Both Eclerx and Expleo triggered the +60% sell condition.

#### 2022

Company	Begin	End	Div	%
Affle India	848.0	1356.8		60.0
Redington India	165.5	124.9	4.0	-22.1
Deepak Nitrite	2095.5	1924.0		-6.8
				10.4

Affle India triggered the +60% sell condition.

Please be advised to wait at least another few years before drawing any meaningful conclusion from these numbers.

Wingardium Leviosa! Here are the new India constituents, to be bought on the first trading day in August 2022, and sold on the last trading day of July 2023.

Company	Business profile
Apollo Tricoat Tubes	Apollo TriCoat Tubes Limited is an steel tubes and pipe manufacturing company.
Castrol India	Castrol India Limited is engaged in the business of manufacturing and marketing of automotive and industrial lubricants and related services.
Chemplast Sanmar	Chemplast Sanmar is a major manufacturer of speciality chemicals such as specialty paste PVC resin and custom manufactured chemicals for agro-chemical, pharmaceutical and fine chemicals sector.

Now I need your help. I'd like you to act as my independent financial controller and point out any mistakes I may have made, both for the China and India robots. That would be extremely helpful, as it would allow me to correct any errors. Thank you.

## 10 Baggers

Twitter is a great place for finding exceptional investment research. Long Equity, a London-based concentrated global equity fund, published a list of 148 S&P 500 companies with a multiple of 10x or greater between the market low in December 2008 and the market high in January 2022. Now, if you say that there is an algorithm that is able to produce a concentrated list of companies, with in this list plenty of multi-baggers, then this algorithm should be able to identify lots of these 10x companies, right?

What you will find in the table below are the first two columns of the list of 148 companies with their multi-bagger multiples, which I copied from Long Equity, and added to that the year in which this company was identified by the algorithm as a potential multi-bagger. And once again, what I mean by "was identified by" is that this company showed up in this concentrated list of potential multi-baggers.



Company	Bagger (x)	Year
Nvidia	116	2003
DexCom	116	NI
Netflix	93	2005
Caesars Ent	92	2001
United Rents	90	2015
Align	92	2013
Domino's	91	ND
Abiomed	67	2017
Ulta Beauty	64	2008
Old Dominion	52	2015
AMD	51	NI
MarketAxess	51	2006
Apple	47	2007
Live Nation	47	2019
Amazon	47	2006
CBRE	45	2007
Regeneron	44	2013
Cadence Finance	44	NI
Extra Space	42	2014
Pool Corpora	40	2000
SVB Financia	40	NI
Teradyne	40	2000
Tyler Techno	39	2007
MSCI	36	2011
Idexx Labora	35	2001
Mettler Toledo	33	2003
Intuitive Surgical	32	2009
Gartner	32	2000
Incyte	32	2015
Booking Hold	31	2006
Estee Lauder	31	2011
Monolithic Power	30	2010
Lam Research	30	2007
Zebra	29	2002
Micron	26	2001
Chipotle	27	2004
Tractor Supply	26	2006
Salesforce	26	2007
West Pharmac	26	NI
Adobe	25	1998
Seagate	24	2005
Edwards Life	24	2006
Expedia Grou	24	2013
S&P Global	24	ND
Mastercard	24	2007
Intuit	23	2002
UnitedHealth	23	2002
Fifth Third	23	2006
Molina Health	23	2003

Discover Financial	22	2010
Sherwin-Williams	22	2007
KLA Corp	22	1998

NI : Not identified  
ND: No data available

Please be careful with the interpretation of these results, but it's fair to say that the algorithm is indeed a very useful tool in identifying potential multi-baggers in a timely fashion.

## So here we are

It will be interesting to see if there is a quant or robot that's able to consistently outperform the markets in the long run, and with that, the vast majority of professional investment managers. It seems as if these investment robots, whose constituents are once a year selected by the algorithm, Q5 to Q32, underperform their benchmark index during "red years" and vastly outperform their benchmark index during the "green ones." And if so, but we need more years of data before we "jump to conclusions," these robots will outperform over time.

At this point, having firsthand experience with these massive data sets and algorithms, I value a concentrated portfolio of handpicked stocks over these investing robots. Having said that, I am optimistic that if you do the necessary in-depth due diligence on the stocks picked by these algorithms and with that filter out possible data errors, there is a real chance that, in the end, these robots add fantastic value. We'll see.

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# QUANTS, ROBOTS & CYBORGS

In search of an investing quant, robot or cyborg that consistently outperforms the market with a greater than 15% CAGR.

The USD Robots		2018	2019	2020	2021	2022	2023	2024	2025	CAGR
Q1	The Mohnish Pabrai Free Lunch Portfolio (FLP).	-17.0%	21.7%	3.0%	25.0%					7.0%
Q2	The conservative version of the FLP.	-10.1%	25.2%	15.9%	25.6%					13.1%
Q3	The conservative version of the FLP. Sell at +40%.	21.6%	34.0%	20.6%	26.7%					25.6%
Q4	The FLP. Spawners only.	-	-	-	28.0%					28.0%
Q5	The USD new year robot. Sell at -20% or +40%.	40.0%	27.7%	-20.0%	36.3%					18.2%
Q6	The USD new year robot. Sell at -20% or +50%.	50.0%	34.4%	-20.0%	43.0%					23.2%
Q7	The USD new year robot. Sell at -20% or +60%.	60.0%	33.4%	-20.0%	49.6%					26.4%
Q8	The USD new year robot. Sell at +40%.	40.0%	27.7%	-6.1%	36.3%					23.0%
Q9	The USD new year robot. Sell at +50%.	50.0%	34.4%	-6.1%	43.0%					28.2%
Q10	The USD new year robot. Sell at +60%.	60.0%	33.4%	-6.1%	49.6%					31.6%
Q11	The USD new year robot. No conditional selling.	18.4%	25.4%	-6.1%	95.1%					28.4%
BM1	Benchmark: iShares S&P SmallCap 600 UCITS ETF	-9.1%	22.3%	11.2%	28.1%					12.0%
BM2	Benchmark: iShares Core S&P 500 ETF	-5.2%	31.2%	17.4%	30.6%					17.4%

Results measured from 1 January to 31 December. For instance, the USD 2022 robot performance is measured from 1 January 2022 to 31 December 2022.

The EUR Robots		2018	2019	2020	2021	2022	2023	2024	2025	CAGR
Q12	The EUR new year robot. Sell at -20% or +40%.	-	-	-	-					-
Q13	The EUR new year robot. Sell at -20% or +50%.	-	-	-	-					-
Q14	The EUR new year robot. Sell at -20% or +60%.	-	-	-	-					-
Q15	The EUR new year robot. Sell at +40%.	-	-	-	-					-
Q16	The EUR new year robot. Sell at +50%.	-	-	-	-					-
Q17	The EUR new year robot. Sell at +60%.	-	-	-	-					-
Q18	The EUR new year robot. No conditional selling.	-	-	-	-					-
BM	Benchmark: iShares MSCI Europe Small-Cap ETF	-	-	-	-					-

Results measured from 1 January to 31 December. For instance, the EUR 2022 robot performance is measured from 1 January 2022 to 31 December 2022.

The China Robots		2018	2019	2020	2021	2022	2023	2024	2025	CAGR
Q19	The China midyear robot. Sell at -20% or +40%.	-	-	-19.3%	23.8%	-20.0%				-7.2%
Q20	The China midyear robot. Sell at -20% or +50%.	-	-	-19.3%	30.5%	-20.0%				-5.6%
Q21	The China midyear robot. Sell at -20% or +60%.	-	-	-19.3%	37.2%	-20.0%				-4.0%
Q22	The China midyear robot. Sell at +40%.	-	-	6.1%	13.4%	-49.3%				-15.2%
Q23	The China midyear robot. Sell at +50%.	-	-	9.4%	20.1%	-49.3%				-12.7%
Q24	The China midyear robot. Sell at +60%.	-	-	12.8%	26.7%	-49.3%				-10.2%
Q25	The China midyear robot. No conditional selling.	-	-	56.4%	135.8%	-49.3%				23.2%
BM	Benchmark: iShares MSCI China Small-Cap ETF	-	-	11.3%	22.6%	-27.5%				0.1%

Results measured from 1 August to 31 July. For instance, the China 2020 robot performance is measured from 1 August 2019 to 31 July 2020.

The India Robots		2018	2019	2020	2021	2022	2023	2024	2025	CAGR
Q26	The India midyear robot. Sell at -20% or +40%.	-	-	23.0%	41.2%	19.3%				27.5%
Q27	The India midyear robot. Sell at -20% or +50%.	-	-	29.7%	51.2%	7.0%				28.0%
Q28	The India midyear robot. Sell at -20% or +60%.	-	-	36.3%	54.5%	10.4%				32.5%
Q29	The India midyear robot. Sell at +40%.	-	-	24.2%	41.2%	19.3%				27.9%
Q30	The India midyear robot. Sell at +50%.	-	-	30.9%	51.2%	7.0%				28.4%
Q31	The India midyear robot. Sell at +60%.	-	-	37.6%	54.5%	10.4%				32.9%
Q32	The India midyear robot. No conditional selling.	-	-	44.3%	243.7%	-1.2%				69.9%
BM	Benchmark: iShares MSCI India Small-Cap ETF	-	-	-7.2%	81.3%	-7.4%				16.0%

Results measured from 1 August to 31 July. For instance, the India 2020 robot performance is measured from 1 August 2019 to 31 July 2020. The "green 2022" actually means that between 1 August 2021 and 31 July 2022, the benchmark index did not experience a >20% crash.

29 July 2022. These are the gross results. A "red year", like 2020, is a "market crash > 20%" year.

- Please be advised to wait a few years before drawing any meaningful conclusion from these numbers. I urge you to do your own due diligence.
- I doubt there will ever be a time when you can confidently say, "This investing robot definitely works." In the end, I suppose it's similar to betting on horse races. Betting on a high-performing horse is obviously a wise decision, but it does not guarantee favorable future results.
- Keep in mind that this is "just an experiment." I would be more than happy if, 25 years from now, the best performing robot could beat the Mohnish Pabrai Free Lunch Portfolio back test result of 17.1%. And if, in the end, all 32 robots end up with mediocre or even disappointing results, then that's just the way it is. Thank you.