

Impressions from Ideaweek St. Moritz 2018

The following update is shared by John Mihaljevic, chairman of MOI Global, with input from selected Ideaweek 2018 participants.

I just returned from Ideaweek 2018 and would like to share a few impressions while they are fresh in my mind. The gratitude I feel at having spent a week with fellow members and friends is immense. Those who participated in this inaugural Ideaweek would likely agree that the calibre and mindset of fellow participants made the time spent in St. Moritz absolutely priceless.

In the following impressions, I will single out a few participants simply because it would take too long to reflect on everyone and every single interaction. This is inherently unfair, as Ideaweek truly benefited from all participants, and so I hope you'll forgive me for my brevity.

First, I'd like to thank Bob and Su Robotti for joining the group and contributing their wisdom and zest for life. The various ski and non-ski activities were enriched by their presence and humor.

During one of the dinners, Bob lamented that some consider puns to be the lowest form of humor. Bob and I vociferously disagreed with that view and proceeded to share a few laughs. I don't remember the specifics, but it was along the lines of, "eBay is so useless. I tried to look up lighters and all they had was 13,749 matches." You get the idea. (If not, you probably would after a week at Ideaweek.)

A highlight for me — and probably many others — were the couple of hours spent with Bob discussing his path as an investor, his investment philosophy, and his principled way of building a highly successful, market-beating investment firm over a period of decades. [See a compendium of Bob's insights](#), shared with fellow participants ahead of Ideaweek.

While enjoying afternoon tea and the view at the incomparable [Badrutt's Palace](#), Ideaweek participants learned about Bob's approach to identifying compelling investment ideas among cyclical in general and oil service companies in particular. Bob touched on his investment theses for [Subsea 7](#) (Oslo: SUBC) and [SEACOR Marine](#) (NYSE: SMHI), explaining why these two companies remain undervalued, in his view, and why their future value depends more on sustained drilling activity than the absolute level of oil and gas prices.

Bob's modesty and self-deprecating style belie his incredible long-term success as an investor, but that day at Badrutt's Palace it was clear to everyone that such wisdom is only available to someone who has had the kinds of experiences Bob has had over the years — and has reflected on them in order to draw lessons for the future.

Highly engaged in the discussion with Bob was fellow superinvestor Guy Spier, CEO of Aquamarine Capital. Guy shared his perspectives on the energy industry and the battle between fossil fuels and

alternative energy sources. [See a compendium of Guy's insights.](#)

Another highlight was a group discussion with Daniel Gladis, CEO of Vltava Fund, based in the Czech Republic. [See a compendium of Daniel's insights.](#)

Daniel provided fascinating context to his personal path as an investor, reflecting on growing up in a communist country, founding a brokerage firm after communism fell (Daniel's firm became the largest in the Czech Republic), meeting value investors like Seth Klarman in the process, and deciding to become an investor himself. In addition to delving into various aspects of his investment philosophy and process, Daniel touched on his [investment thesis on BMW](#) (Germany: BMW). The German automaker is a bargain "hiding in plain sight", as the well-known company's shares appear to be quoted well below a sum-of-the-parts estimate of value, which includes a substantial net cash position.

Ideaweek participants broadened their horizons during a fascinating discussion with Peter Platzer, founder and CEO of space technology startup Spire, which has launched more than fifty microsatellites into space, collecting highly proprietary data used in shipping, logistics, weather forecasting, and many other applications.

While consumers view weather-related information as widely available and free (thanks to websites like weather.com), highly reliable weather forecasting on a truly global scale is possible almost exclusively through Spire. This is significant, as perfect weather forecasting would increase annual global GDP growth by as much as three percentage points, roughly doubling the current rate of GDP growth.

Especially fascinating to me was the interaction that developed between Peter and fellow participants during the tea-time discussion at Badrutt's Palace. Peter candidly reflected on the challenges of a business leader who has succeeded in [raising some \\$150 million of venture capital](#) but faces two big challenges: staying ahead of the competition and scaling a high-performing organization. Peter later told me that the insights of fellow participants — including a family office investor whose parents founded and scaled a business to 23,000 employees — opened his mind to new ideas and approaches.

Saahill Desai shared the investment approach of his family office, including his manager selection criteria. Saahill looks for managers who possess a well-defined investment process with a focus that provides them with a clear competitive advantage.

An interesting side note during the conversation was a point someone made on Facebook (Nasdaq: FB). The latter is perhaps the only large public company that appears to fundamentally misportray the nature of its business. While management insists that Facebook connects the world by connecting people, the core of the business may relate more to collecting personal information in order to sell marketing services to advertisers. In that sense, Facebook users are the product, not the customer. This point is hardly novel, but the fact that management appears to steer clear of it in favor of a more altruistic story — even when addressing investor audiences — bears note.

Participants gained a differentiated perspective into value investing in India thanks to a Q&A session

with Soumil Zaveri, partner at his Mumbai-based family investment office, DMZ Partners. Soumil reflected on the evolution of India's economy and capital markets, touching in particular on the financial sector. Soumil has previously [presented on Capital First](#) (NSE: CAPF) and written about [compounding machines among financials in India](#).

Fellow Ideaweek participant Sanjay Voleti, a private investor from Newport Beach, California, raised the issue of sustainability with the group, proposing Yvon Chouinard's Patagonia as a model worth studying. Sanjay recommended Yvon's books [The Responsible Company](#) and [Let My People Go Surfing](#).

During a bowling session at the historic alley of Hotel Kronenhof in nearby Pontresina, a fellow participant from Saudi Arabia, Abdulaziz Alsalim, shared a fascinating perspective on recent political and economic developments in Saudi Arabia. That country is undergoing perhaps the most significant change in decades. Having an opportunity to get an "on the ground" take from a trusted source was priceless. I especially enjoyed Aziz's thoughts on Saudi Aramco, the world's largest oil and gas company by revenue (\$455 billion). Aramco's pending IPO should create the world's [most valuable public company](#).

Aziz has shared with me a couple of his impressions from Ideaweek: "I enjoyed learning how different fund managers are establishing an investment process. For example, when [a participant] told me he refused to accept money from outside investors for the first couple of years, I thought it was to build a track record but he said that was not his goal. He wanted to take his time to build a process that will produce consistent returns over a longer time period. I also enjoyed pitching an investment idea to Bob Robotti over dinner and doing a 'pre-mortem' analysis."

Anuj Didwania, head of Mumbai-based Redart Capital Advisors, shares the following conversation: "At the dinner at the Kempinski, [three fellow participants] and I had a very interesting discussion on mentoring. That morning, I reflected on the slopes how one can hire a teacher/mentor to vastly accelerate one's learning in snowboarding. In fact, in almost all endeavors, at a certain price, a good mentor can be hired to vastly improve one's skill. We discussed that in investing, sadly, mentors are not available at any price (and if they are, they are probably not worth the money). As the feedback loops in terms of the time it takes to learn from one's mistakes are so long (sometimes years), learning is a slow process. If only one could have a good mentor, much time and money could be saved by avoiding mistakes. Alas, investing does not allow for accelerated learning — the 'devil' must be paid its due in losses, tears, and the painful acceptance of the complexity of reality."

Informal discussions over breakfast touched on ideas, worldly wisdom, and challenges facing participants in their investment businesses. An interesting debate ensued on the topic of an investment manager's fee structure. From a client's perspective, is it optimal for a manager to be compensated exclusively based on performance, or does a management fee make sense as a way of "keeping the lights on" and disincentivizing the manager from "gambling behavior", especially following a period of underperformance?

Txomin Zaratiegui, portfolio manager at Arlas Advisors, explained his rationale for a Buffett Partnership-style fee structure. Txomin is a highly successful private equity investor who is in the process of launching a public equity investment vehicle based in Geneva.

Isaac Schwartz, portfolio manager at Robotti & Company, and Omar Musa, managing partner of Perea Capital, shared their insights into the economics of food delivery and restaurant takeout businesses such as GrubHub (NYSE: GRUB). Isaac and Omar elaborated on the scalability and margin potential of such businesses, while addressing concerns around their impact on the long-term viability of restaurant business models. I found Isaac and Omar's research into food delivery businesses in Eastern Europe particularly interesting.

Omar "enjoyed speaking with Daniel Gladis about his use of options. Many value investors deride derivatives by parroting Buffett's comment that they are 'weapons of mass destruction,' while ignoring that Buffett himself has made extensive use of them. Daniel has utilized options to his advantage through the same lens of value investing that he has successfully applied to equities."

Omar also "enjoyed listening to Christopher Detweiler explain in simple terms the mechanics of cryptocurrencies. While most other people I have spoken to have either offered buzzwords or ideologies, Christopher was able to explain the actual mechanics of how bitcoin works — a result of his extensive research in the field. As a corollary to the discussion, I was reminded of the various approaches to successful investing — from the Buffett approach of avoiding bubbles to the Soros approach of profiting from them (my preference/ability is the former)."

The Ovaverva bath and spa provided an inspiring scene for discussions while unwinding after a morning of skiing or other outdoor activities. I greatly enjoyed my conversations with Abdallah Toutoungi, chief capital allocator of Cordoba Fund, based in Ghana. While living in the U.S., Abdallah was a student of one of Bruce Lee's best friend, [Taky Kimura](#). This and other experiences have made Abdallah a wonderful influence and source of positive energy. I have learned about cognitive biases from Abdallah, a subject he has studied extensively and teaches in Accra.

Here's how Abdallah sums up his experience at Ideaweek: "There's something to be said about the caliber of influencers present in St. Moritz. The organic conversations allow for deep reflection on ideas and intimate discussions about business, life, and wisdom. Essentially, as John put it emulating Munger, 'We try to operate in a seamless web of deserved trust and be careful whom we trust.' Although that might be the ultimate goal, MOI Global has been able to 'carve the mountains' to create an environment fertile for exceptional people to have candid conversations where you can understand the significance of the Chinese proverb, 'A single conversation with a wise person is worth a month's study of books.'"

"Time disappears behind the mountains and the conversation takes its place, breakfasts merge with lunches, and lunches with afternoon talks, and afternoon talks with dinners. Awaiting the morning, the night becomes too long and the morning can't come fast enough to continue the conversations. These conversations span subjects ranging broad and deep, from specific investments to sharing of best practices to operating a business to personal anecdotes and challenges." (*I could not have said it better!*)

Value investor Mallika Paulraj from London, author of the wonderful blog [Four Minute Investing](#), shares this assessment: "The informal and non-investing idea pitch format of Ideaweek meant that people immediately relaxed into sharing and chatting. I appreciated that there were several deep thinkers in the group who question the very nature of our investment management industry as well as

innovative and courageous entrepreneurs, who are an inspiration to me. The usual hit rate of meeting a very interesting person at an investing conference is 10%. At Ideaweek it was a 100%.”

Adds John Lambert, “One of the strongest impressions for me was the sheer diversity of the group — sitting at dinner with a person from Ghana, India, Spain, and Germany simultaneously! This is quite a melting pot you have created, and always leads to fascinating discussions and ideas.”

Robert Leitz, managing director of Iolite Partners, sums up his impressions: “Beautiful setting, great skiing, plenty of inspiring and humbling conversations with thought leaders in the world of intelligent investing. For me, the tea conversations at Badrutt’s Palace were the highlight of Ideaweek 2018. It was humbling and encouraging to learn first-hand from some incredibly accomplished entrepreneurs and fund managers. Most people are focused on outcome – and fail to see the story behind the story. Ideaweek taught me yet again the importance of hard work, endurance, and of having an open mind.”

Txomin shares the following takeaways (slightly condensed): “One powerful reason to save the date for Ideaweek 2019 [February 4-8] is that on those days I’ll have some of the most interesting casual conversations of the year. Investing is a lonely profession. We spend time reading about industries and companies. I don’t have many occasions on which to meet such a group of outstanding investors and professionals. As a winter sports lover, I can’t think of a better format than Ideaweek.”

“I was continuously surprised by the openness, breath of expertise, and genuine interest of all Ideaweek participants. Amazing conversations happened at unexpected moments, ranging from an early breakfast, a walk to the next event, or just sharing a coffee in the afternoon.”

“I enjoyed speaking to Sanjay Voleti, whose insights into our life choices as investors were a mirror in which each of us could be reflected. He makes conscious choices on what makes him happy and builds his life around habits and people he loves. These insights were personal and sharp bites of condensed wisdom, just as dessert was coming to our table in a contemporary Swiss restaurant.”

“I also enjoyed meeting Edwin de Bruijn. He is a finance professional who worked for Morgan Stanley and now invests in brand-driven companies. His life trajectory is different from mine (aeronautics engineer with a pilot’s license, worked in wealth management at large banks), but we ended up sharing a passion for winter sports, stock picking, and setting the same kind of fund structure ([Dutch FGR](#)). It’s good to see how, confronted with similar choices, fellow investors follow similar paths to building a great investment business.”

“And, of course, there was time to discuss investment ideas! Robert Leitz and I had an interesting conversation on lottery businesses in different geographies. Charles Hoeveler shared best practices for shorting stocks. Omar Musa surprised me with insightful comments on Spanish public companies. Isaac Schwartz is just a walking encyclopedia on best practices related to investing in emerging markets.”

Last but certainly not least are the wonderful conversations I had with long-time friend Jeffrey Hamm. Jeff is among the most authentic, generous, caring people I know. He consistently broadens my horizons. Jeff, who serves as co-portfolio manager and senior analyst with van Biema Value Partners, added to a number of informal Ideaweek discussions focused on building a great investment firm, bringing his multi-year experience identifying and assessing fund managers to the table. On a more personal level, Jeff helped me think through some entrepreneurial challenges, for which I am grateful.

My hope for the future of Ideaweek is for similarly strong bonds to develop among fellow participants as I have been fortunate to develop with Jeff.

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Here's to a terrific year and to seeing you (hopefully) at Ideaweeek 2019!