

Peter Gustafson Discusses His Book, *The Business Investor*

Peter Gustafson discussed his book, [The Business Investor](#), at MOI Global's Meet-the-Author Forum.

In a conversation with Alex Gilchrist, Peter shares key insights gleaned from decades of navigating the financial world as both an investor and business owner. Peter brings a dual perspective that bridges the gap between the rigorous investigative work of a financial journalist and the long-term discipline of a seasoned entrepreneur.

Rather than focusing on the noise of daily market fluctuations, Peter invites investors to return to the core foundations of rational capital allocation. He discusses the genesis of his new book, which serves as a comprehensive update to Ben Graham's *The Intelligent Investor*, combining the principles of both Graham and Buffett into a cohesive framework for the modern era. Peter argues that successful investing isn't about complex algorithms, but rather a deep understanding of three pillars: the business, the management, and — perhaps most importantly — the investor's own behavior.

Throughout the conversation, Peter explores the “business owner mindset,” explaining why thinking like an entrepreneur is often the most difficult hurdle for professionals to clear. He shares personal anecdotes from his time in Omaha, his evolution from a “VIP executive education” in journalism to running his own firm, and the hard-won lessons learned from both his greatest “six-bagger” successes and his most instructive blunders. This interview offers a rare look at the temperament required to hold concentrated positions for decades and the discipline to maintain a 10% hurdle rate in an increasingly impatient market.

MOI Global's Meet-the-Author Forum, hosted by Alex Gilchrist, brings together members and a select group of book authors in the pursuit of worldly wisdom. We are delighted to have an opportunity to inspire your reading.

The following transcript has been edited for space and clarity.

Alex Gilchrist: Peter Gustafson is a renowned Warren Buffett authority with decades of experience as a successful business owner and investor. As an internationally sought-after speaker, Peter shares his experience annually in Omaha, Nebraska, where he lectures on Warren Buffett's investment principles and how to apply them effectively in real-world investing. Peter has kindly joined us to discuss his new book. Tell us a bit about the book, how it came about, and who you were thinking of in terms of the readership.

Peter Gustafson: The first idea for the book came early after I read extensively about Warren Buffett in 2007, as well as Benjamin Graham's *The Intelligent Investor*. I realized at the time that *The Intelligent Investor* had not been updated, and the principles of Graham and Buffett had not been combined into a comprehensive picture. That started me thinking: isn't it time for an update to *The Intelligent Investor*?

As I studied more, I realized there are actually only three factors involved in investing. The first is the company you invest in. You have to understand the business well—where the moat is, if there is one, and the characteristics of the industry. The second factor is management.

Management is crucial for long-term results because they are the ones taking care of your money. The third factor is yourself.

I thought an update should go deep into analyzing the business and the moat; the management—what defines excellence and how to identify it; and, last but not least, yourself—how to analyze your own behavior to become a better investor by understanding what to focus on.

That was the origin 12 or 13 years ago. I didn't start writing thoroughly until I was teaching in Omaha and was encouraged to put my teachings into a book using Buffett's principles.

Alex: Before we move on, what is the teaching in Omaha? How did that come about and how does it work? I think some of the other people who teach there are quite well-known for their work regarding Warren Buffett.

Peter: I started coming to Omaha around 2011 for various conferences. One seminar stood out: "The Genius of Warren Buffett." It is a three or four-day course covering everything about Buffett: his investment style, his history, his partnership with Charlie Munger, and his various subsidiaries. After I had attended for a few years, the organizer, Bob Miles, suggested I present a wrap-up on how to put it all together. It was successful, and Bob told me immediately after, "Peter, you should write a book." That was the trigger point.

Alex: That's interesting because, beyond corporate America and Berkshire Hathaway, there are many private investors who have stayed the course with Warren throughout the years. To what extent did you have those kinds of private investors in mind when writing the book?

Peter: When I decided to write the book, I decided I wasn't doing it for money. It's about helping people, especially younger people, start their investment journey on a solid, rational platform. Just as Warren Buffett did in 1949 when he first read *The Intelligent Investor*. He had been experimenting with technical analysis, but that book gave him the right foundation. I want investors today to have the opportunity to find that right platform in a single book.

Alex: Tell us about yourself. You started as a journalist; how did your journey lead here?

Peter: I worked as a financial journalist and was the business editor for a leading Danish newspaper for several years. However, I actually graduated with a Master in Finance from Copenhagen Business School. I have always been a lifelong learner. When I was young, I asked myself where I could learn the most as fast as possible. Being a journalist at a leading newspaper covering the financial sector gave me the opportunity to call the CEOs of major companies—Carlsberg, Novo Nordisk, LEGO, Volvo, or Statoil—and ask them to help me understand specific issues.

I received a "VIP executive education" through journalism. In 1996, I started my own company, advising listed and private equity companies. Journalism was the starting point, and there isn't much difference between being an investor and a journalist. A journalist digs for information to build a story; an investor digs into the company, industry, and management to build an investment case. Both are about finding the right story.

Alex: And journalists, like investors, need to see both sides of the story. You also had retail experience from your family's shops. You had a natural business sense.

Peter: Business thinking is in my blood because both sides of my family were entrepreneurs. Being a business owner felt natural. I didn't fully realize its value until I started investing full-

time and reading Buffett. Thinking like a business owner is key to successful investing. I had that naturally because I had run my own company for 15 years.

This is often the most difficult thing for investors to grasp. Most people think about buying stocks; they look at the price and want it to go up. But as a business owner, it's not about the price—often the companies aren't even listed. We looked at sales and earnings. Every year, we would sit down and ask, "How much can we take out of the company this year?" That is your return. That is exactly how Warren Buffett thinks about investment returns.

Alex: We often confuse precision with certainty. If you operate your own business, you're used to uncertainty and opportunity costs. How do you bring that intuition into your analysis?

Peter: Business owners naturally think longer-term than the typical stock investor. When I ran my company, we were always discussing how things would look three or four years down the road. That is a much longer perspective than most equity reports, which focus on the next 12 months.

Thinking long-term also involves managing risk. One way we do that is by thinking in scenarios instead of a single point of failure. Scenarios are essential for handling risk.

Alex: Even a simple business like a restaurant is affected by the weather. You have to get used to how things change and what margin of safety you need. How does your experience translate when you speak to management?

Peter: The two most important factors in disappointing investments are either paying too much because of high growth expectations—what we call "burning your fingers" in Danish—or management failing to understand rational capital allocation.

If they understand it, they create immense value. If they don't, they destroy it. They may not know when to invest in the business, when to acquire another company, or when to buy back shares if the price is depressed. Understanding management over the long run is difficult, but experience helps you know what to look for.

Alex: You share the disdain of many value investors for stock options. You mention that if 10% of stock options are outstanding, that's a reason to dig deeper.

Peter: That is part of analyzing management and the board. It is the board that issues those options. I find it worrying—a red flag—if a company has many "free" stock options. It doesn't put the investor and management in the same boat. Management can get very rich if things go well, but they don't lose anything if they don't.

Alex: That's complicated when looking at big tech firms where everyone is doing the same thing. Do you stick to your standard or give them a pass because it's industry-wide?

Peter: It is common for players in an industry to mimic each other. In tech, options are a way to attract talent when a startup doesn't have much cash. I understand that. But as soon as management receives options, they are taking a share of the company from the other owners. You just have to be aware of it. I prefer the Berkshire Hathaway model, where directors buy stocks with their own money.

Alex: That shows real faith in the business and its capital allocation.

Peter: It's only fair. Management should put their own money on the table to become real

investors like us. Then we are truly in the same boat.

Alex: From your experience, do companies that follow those policies perform better over the long term?

Peter: I don't have definitive evidence, but research suggests companies run or influenced by founders perform better on average than those managed by "hired guns." Founders have skin in the game; often their entire family wealth is invested. Look at the Waltons at Walmart. Berkshire Hathaway often buys companies where the founder wants to stay on because they care for the company like their own child.

Alex: You are a very concentrated investor. Could you tell us about that?

Peter: When you build and own a business, you are as concentrated as possible. You own one company, and that is your wealth. In the book, I advise a "10-by-10" portfolio: 10 companies with 10% of your wealth in each. Buffett has said that five, six, or seven companies are enough. Why buy 20? The 21st investment is never as good as the 6th. Charlie Munger says three is enough. While that is too volatile for most, concentration makes sense if you find great companies.

Alex: How do you balance the lack of "internal" information with that level of concentration in public markets?

Peter: The longer you own a company, the more you know about it. If it's a great company with a high return on capital and rational management, you let it run. You get to know it so well that you aren't bothered by a bad quarter or a drop in share price. You can absorb the "bumps on the road." Most of my investments are held for years. I might only make one new investment a year, or none at all.

Alex: You once mentioned buying 5% of a company—that's high conviction. Is that a matter of character?

Peter: It requires patience. I don't need the excitement of checking share prices every day. I might only check once a week unless something is happening. If you think like a business owner, you don't sell every quarter or even every year. You might hold for decades. I don't need excitement; I need returns. You get returns while you own the company, not by selling it.

Alex: The financial sector often pushes people toward action. How do you hold yourself back when a stock drops 15%?

Peter: If you think like a business owner, nobody should know more about the business than you. For non-listed companies, there is no share price to follow. If you are influenced by daily price movements, your focus is in the wrong place. Focus on results, earnings, and megatrends. The share price will follow the earnings over the long run.

Alex: How have you evolved as an investor?

Peter: I have become even more patient. As a CEO, you take decisions every day. As an investor, you don't take many. I read, gather information, and think. I walk a lot, and while I walk, I analyze an issue from every angle. I don't act; I just think, so I am prepared when the opportunity arises.

Alex: What's an example of an investment that helped this development?

Peter: I include six cases in the book—three successes and three blunders. I previously worked in a leading Nordic insurance company, so I understand that business model. I found a Norwegian company, Protector Forsikring, which was very efficient and had a small moat by being able to sell insurance cheaper than competitors.

It was one of my first big investments and grew beautifully for six years. Then I saw an issue and decided to sell. It was a “six-bagger” (600% profit). However, I didn't realize the problem was operational rather than systemic. Management solved it within 18 months, and now it's a “fifty-bagger.” I learned that you must distinguish between solvable operational problems and unsolvable systemic ones.

Alex: You discussed Warren Buffett's hurdle rate. How can we benefit from that?

Peter: You must calculate your expected return based on profits, not share price. Buffett wants a 10% real return (before tax) from day one. If a company is worth \$50 billion, it needs \$5 billion in before-tax profit to meet that 10% yield. He also wants earnings to grow at least as fast as inflation.

This is why he has so much cash right now—he hasn't found big investments that meet that 10% hurdle. For faster-growing companies (10-15% growth), he might pay a higher price but expects to see a 15% return down the road as quickly as possible.

Alex: What do you enjoy most about investing?

Peter: I am a lifelong learner. I enjoy asking “why” and finding the answer. Learning is the most joyful part. I also enjoy discussing capital allocation and megatrends with management. You have to consider both the optimistic and the risky trends.

Alex: Finally, what areas are most fruitful for value investors to learn about today?

Peter: Yourself and management. Invest in yourself, as Buffett says, because you need to understand your own decision-making process. Then, learn about management. The business stays, but management changes. Understand their incentives, backgrounds, and priorities. Some focus on efficiency; others on the excitement of acquisitions. Learning about management and yourself are the two most important ways to spend your time.

About the author:

Peter Gustafson is a Warren Buffett style investor, with tremendous success running his own concentrated portfolio of significant shareholdings in Scandinavian companies..