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The successful long-term investor is able to avoid big errors and select assets that deliver superior returns by buying them at the right price. It is not a sprint, but a marathon. During the journey, avoiding errors is the most difficult task. For this reason, the value investing philosophy puts the "margin of safety" concept at its core. This revolutionary idea stresses the need to avoid errors and the inevitability of incurring into some. Investing with a margin of safety means, in essence, buying assets at a price that minimizes the probability of being wrong. So what tactics can we use to reduce the probability of incurring into errors and increase the margin of safety? By investing in long-term trends.

Erroneously, the value investor is often seen as someone whose primary objective is to mechanically buy cheap companies. I prefer Seth Klarman's point of view:

> "Value Investing is actually a comprehensive investment philosophy that emphasizes the need to perform in-depth fundamental analysis, pursue long-term investment results, limit risks and resist crowd psychology."

In go-go times, few investors keep a disciplined approach and weigh potential rewards against potential downside risks. After all, as Klarman said:

> "It is easy to confuse genius and bull market."

Following this consideration, we have to evaluate the current reality of a more-than-nine-years-old-bull market. Going forward, the question is: how can we invest, avoid errors, limit risks and still deliver superior returns? Once again the margin of safety concept comes handy. This concept can be employed not only in stock analysis but also in sector and trend analysis.

What is the chance of being wrong if we invest in a company operating in a strong structural trend? After all, isn't value investing a long-term quest?

Theoretically, if the tide rises (i.e. the trend is positive) so should all the boats (unless there is a hole in the keel). If a company operates in a positive and structurally favorable long-term environment, this could create a downside protection cushion for the investor. Therefore, the successful risk-averse investor would be better off by starting to identify long-term trends. Once able to do this, he shall look for the best-positioned companies and avoid those with evident flaws.

The final stage would be to decide what price he should pay for the business in order to tilt the bet in his favor and avoid excessive downside risks. We could call this a three-layer

margin of safety process. By building a portfolio in this fashion, the long-term investor can overcome the uncertainty that pervades current markets.

We tried to implement this framework by investing in a structural long-term trend, the Circular Economy. A trend that stems from two paramount issues: natural resource depletion & waste management. The circular economy implies a more sustainable use of natural resources and a more responsible consumption paradigm. From the old take, make & waste model, the new frontier is re-design, re-use & repair in order to avoid unnecessary waste.

Circular business models help reduce the environmental impact of our way of living but create positive profitability dynamics. A lower dependence on raw materials and a consequently reduced volatility of input costs create the opportunity for higher margins. The change of the ownership concept from property to sharing, increases the recurring revenue base and increases business visibility, thereby improving efficiency and working capital management.

Moreover, companies operating in production efficiency, innovation and new materials will push competitors into obsolescence. This shift in business models will not only improve the environmental impact of the economy, but will also create more jobs and growth.

Long-term investors, therefore, can benefit from this structural trend, improve their margin of safety, reduce business and investment risk while also helping the economy transition to a more sustainable model.