

Value Investing and Hunting in the Backcountry

This article by Matthew Sweeney is excerpted from a letter of [Laughing Water Capital](#).

“All man’s miseries stem from his inability to sit in a room alone and do nothing.” [sic]
— Blaise Pascal, c/o Mohnish Pabrai

The above quote has been popularized in investing circles by super-investor Mohnish Pabrai. It is especially relevant to our portfolio at the moment due to the previously referenced increased level of activity. Our strategy is largely based on buying good businesses during moments of weakness, and giving our skilled management partners the time they need to work through their problems. Focusing on price is extremely important during the buy process, but once we have purchased shares, the stock price can do whatever it wants to do in the near term as irrational sellers weigh on shares. Our ultimate success will be based on our ability to weather the short term volatile stock action, and patiently wait for the true economics of our businesses to shine. Patience is key to the strategy: frequently trading in and out of businesses will not help our long-term results.

While our “busy” quarter would represent a slow hour on most hedge fund trading desks, relative to 2016 when we made one meaningful investment all year, the 3rd quarter was a flurry of activity. This activity level meant that entirely too much time was spent staring at screens thinking about price, and not enough time was spent simply thinking about our businesses, their management teams, their problems, and their opportunities. In order to help tip the scales of my focus away from short term market action, and back toward the fundamentals of our investments, I spent a week in September “off the grid” on a backcountry archery elk hunt.

From my perspective, spending a week in the middle of no-where is perhaps the best way to conduct a portfolio review. With no access to the internet or cell phones, and no possibility of getting distracted by new ideas, one is forced to focus entirely on the present opportunity set.

Additionally, there are a lot of parallels that can be drawn between hunting in the backcountry and concentrated value investing.

For starters, it is not for everyone; in fact, it is basically anti-social. There is a certain confused/skeptical look that most people give when they learn that our strategy is based on the belief that one person with limited resources willing to dig through the hidden corners of the investment universe searching for anomalies has massive advantages over Wall Street and its infinite resources. This look is basically the same look I get when I explain to people who are panicked by the idea of a dead cell phone battery that my idea of a “mental-reset” is not a trip to some exotic beach location. Rather, I much prefer spending a week by myself sleeping in a tent in bear country while hiking through the mountains 10,000 feet above sea level, hours from the nearest paved road and wi-fi signal.

Second, well known hunting personality and author Steve Rinella often comments that successful backcountry hunting is dependent on, “being comfortable with being uncomfortable.” This quote bears a striking resemblance to two of my favorite investing quotes. The first, “you can have comfort, or you can have value. You cannot have both,”¹ and the second, “the capacity to suffer is essential for successful investing.”² The point is the same whether you’re talking about hunting or investing; if you want to seek out the best opportunities, it is not going to be easy.

Third, whether you are talking about backcountry hunting or investing, the proper approach is to

spend 99% of your time planning, preparing, and waiting, and 1% of your time taking decisive action.

Fourth, in both hunting and investing, it pays to be very selective. If you take your shots at middling opportunities, you will never have the opportunity for tremendous success.

Lastly, and perhaps most importantly, in order to be successful in either hunting or investing, you have to enjoy the process, not just focus on the endgame. Just like most hunts end without a shot, almost all research ends without a buy decision. The only way to eventually succeed is to continue to iterate the process.