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Widen the Lens But Narrow the Focus, and Deepen the Learning

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In Michael Lewis' book "The Undoing Project," he writes, based on the extensive research done by the two psychologists and behavioral economists Daniel Kahneman and Amos Tversky, that we take too little information and draw too big of conclusions. People often ask or wonder why it takes me years to get comfortable before investing in a particular company. The pithy answer is that, in the end, the tortoise beats the hare. This also has the benefit of describing in fable terms our investing philosophy; slow and steady wins the race. But a more complete answer to the why of our seemingly extreme patience lies in our desire for deep learning that can lead to deep understanding. It takes a long time to find this deeper understanding that allows for the conviction we crave.

I share the five bullets below in nearly everything I write or present about the partnership. These are not sound bites. They are guiding principles in how we approach investing well.

- ***Perspective*** that moves past the noise of the day
- ***Patience*** to think and invest with a long term horizon
- ***Temperament*** to withstand emotions and volatility
- ***Passion*** for deep intensive research
- ***Conviction*** to our best ideas

We seek to move from a collection of facts, knowledge you might say, to understanding and, someday, to wisdom. And it takes Perspective (widening the lens of your perspective to move past the noise of the day), Patience (allowing accumulated thinking over long periods of time), Temperament (moving beyond the emotional ups and downs of a 24/7 news and information cycle), and Passion (having the passion to narrow the focus of our studies so we can go topically deep and wide) to deepen our learning and move down the spectrum of knowing to understanding. And with this deeper understanding we can carry Conviction to our best ideas.

Our long term perspective is a critical differentiator in our thinking and our investing. And I am grateful for you, my partners, in bringing a mindset that allows for such differentiating advantages. Most trading volume has a horizon of minutes, seconds and even milliseconds. Even the most long term minded investors tend to think in years. We think and invest for decades, and longer. Thank you for partnering with the tortoise.

As an aside, my son got a tortoise for his birthday last summer. Beyond my concerns about a lifespan that should far exceed Tyler's time in our home (anyone want a tortoise in about a dozen years???), I was amazed at the surprising speed at which "Shelton" moves when free to do so.........

The dangers of scratching the surface are often made apparent in headlines. Headlines are meant to grab our attention; they are not meant to inform. Let me provide just one example from the preeminent Wall Street Journal.

Headline: *"Household Debt Hits a New High" –WSJ, Wednesday, November 15, 2017*

Article Excerpt: *The Federal Reserve Bank of New York said Tuesday that household debt totaled $12.955 trillion last quarter, up 0.9% from the spring for a 13th straight quarterly increase. That was the most on record, though the figure wasn't adjusted for inflation of population growth. As a share of U.S. economic output, household debt was about 66% last quarter versus a high around 87% in 2009.*

The headline was entirely accurate, if incomplete. So, is household debt higher or lower than in 2009? Is the headline or the article correct? The answer, of course, is, "yes". They both contain accurate statements, or facts. Facts alone are not understanding.

The Wall Street Journal is one of the most, appropriately, well respected newspapers in the world. This is not to degrade the WSJ. Consider the headline click baits elsewhere and how they have impacted our understanding. But, as you will see, even the articles can provide incomplete understanding:

There have been repeated instances of the following portrayal, often in my beloved Wall Street Journal: in writing about the newer, online-focused banks, the rate paid on online deposits often comes up as a point of discussion. In one article about Goldman Sachs' new online bank offering, it was stated that Goldman Sachs can pay more on these deposits because they lack the cost of a traditional bank infrastructure. While that sounds well and good, it is patently absurd. Goldman Sachs does not purposely pay people more, any more than a grocer chooses to pay higher prices for the food they sell because they might make too much money. They pay more for deposits because they must in order to grow and retain them. A higher rate paid on deposits is a sign of relative weakness, not strength. And, ever so importantly, lower rates paid on deposit are a sign of relative franchise strength.

GK Chesterton in "St. Thomas Aquinas" said the following:

"In so far as there was ever a bad break in philosophical history, it was not before St. Thomas, or at the beginning of medieval history; it was after St. Thomas and at the beginning of modern history. The great intellectual tradition that comes down to us from Pythagoras and Plato was never interrupted or lost through such trifles as the sack of Rome, the triumph of Attila or all the barbarian invasions of the Dark Ages. It was only lost after the introduction of printing, the discovery of America, the founding of the Royal Society and all the enlightenment of the Renaissance and the modern world. It was there, if anywhere, that there was lost or impatiently snapped the long thin delicate thread that had descended from distant antiquity, the thread of that unusual human hobby, the habit of thinking."

Let us not fall into the same loss of habit. Reading can and will bring you facts and knowledge. And fewer things are more powerful than voracious reading. But it is incumbent upon us to turn those facts into understanding and, someday, to turn that understanding into wisdom. Read and learn deeply. Seek understanding and wisdom.