

SYSTEMIC APPROACH

August 2024

Does it work? Let's try it, and if it does work, fine, let's continue it. If it doesn't work, toss it out, try another one. - Lee Kwan Yew, Former Prime Minister of Singapore, in the 2007 The New York Times Interview

Buy

1. Determine if the company is within the circle of competence.
2. Develop a thesis and derive its intrinsic value using both quantitative measures and qualitative insights.
3. Check the market price. If the market offers them below the calculated price, review the analysis to ensure nothing was missed.
4. Compare the opportunity cost with the current portfolio holdings. If the potential gain is substantial compared to an investment, or holding cash, invest. If not, move on.

Sell

- Lose confidence in the management team. (sell 100%)
- Initial investment thesis doesn't play out in 2~5 years. (sell 80~100%)
- Economics of the business changes such that the business is no longer exceptional. (sell 80~100%)
- The market offers a chance to sell shares at a price far above their intrinsic value. (sell 10~20%)