22 timeless lessons for our 22nd month

We launched my fund nearly 22 months ago. To commemorate the occasion, I wanted to share 22 timeless things I've learned in those 22 months.

Overall thoughts on running a fund / portfolio

1. Running a fund is easy. Having the vast majority of your net worth, your income, and your reputation tied into a fund invested in companies that you cannot directly control or even influence is in no way stressful. On nights when one of your largest positions reports bad news, it is easy to turn your mind off and go to sleep knowing that your portfolio is going to have an awful day the next day, and having a big position turn against you will in no ways effect your ego or cause you to question yourself and your ability to beat the market / generate alpha. Sending a statement to your investors that shows you underperformed the market for a month, a quarter, or (heaven forbid) a year is in no ways scary and you will not worry that they are going to pull their investment. And even if they did pull their money, raising money with a limited or even no track record is easy so you will never worry about your fund being too small or the opportunity cost of starting your own fund versus working for someone else. You will definitely never worry about your future because everything is puppies and rainbows.
2. Markets are wildly inefficient and beating them is a cakewalk. Reading a company's 10-K or, even better, an article about the company on a random blog is enough to understand the company better than the market. You don't need to work hard. You don't need differentiated insights. Just buy stuff that looks cheap and it'll go up. A lot. And quickly. Do that a few times and then go enjoy the beach (which will be very peaceful because, again, running a fund is easy).
3. Don't spend any time or thought on operations. Things like marketing, tech, accounting, and legal are cheap and easy, so no need to plan those out in advance. Don't consider getting a partner you trust to help you with any of them. They basically take care of themselves and will not suck up any of your time, so go back to the beach. Life is a picnic.

Idea sourcing

4. Bet the jockey, not the horse. In today's economy, all that matters is having your company run by a genius. Industry structure and corporate history don't matter. Warren Buffett may have said "when a management with a reputation for brilliance tackles a business with a reputation for bad economics, it is the reputation of the business

that remains intact," but that was clearly before he met Elon Musk. Find a growth company run by a charismatic genius, buy it at any price, and profit.

5. If a write up is long, you know it's good. If you see a write up on a website, you can judge its quality by how long it is. If someone can write 500 pages on a company, you can bet they're an expert on it. Don't even bother to read it. Just invest.
6. If an investor has a good track record, it's because they're a genius and should always be listened to, so buy what they are buying. In both life and the stock market, people always get what they deserve, and they get what they deserve instantaneously. No investor has ever run up a strong track record by making big, risky bets with no idea what they were doing or by unintentionally taking on huge risks. I've never talked to an investor with a good track record and thought that they were nothing more than a coin flipping monkey or discovered that they didn't understand things like "how to read financial statements".
7. Sell anything that competes with Amazon. Amazon always wins. They are unbeatable. It doesn't matter what market they look to enter, they will dominate it instantly. They do not care about making profits and they never will; their business model is a complete pyramid scheme that creates no value and most investors are just too dumb to see it. Ignore any type of competitive advantage that any company has and immediately sell if you even catch a whiff Amazon is entering their market. It doesn't matter if that whiff is just some egg on Twitter saying Amazon should move into the buggy whip industry; sell your buggy whip stocks first and ask questions later.

Portfolio Management

8. If a company doesn't compete with Amazon, double down / buy any dip. Provided they don't compete with Amazon (see point #7), stocks only go up. The best time to buy is on a down day, as stocks will invariably go up the next day. Remember: if you liked it at $20, you should love it at $19 and put all of your money into it at $18.
9. Concentration is your friend. Charlie Munger once said he believed diversification was for idiots and know nothings and that his family only owned three investments. Charlie Munger is also a pansy. Real investors concentrate their entire net worth, their entire family's net worth, and the name of their first born on one stock.
10. Never carry a cash balance. America is great again. Stocks only go up. Cash is a drag on returns that's for losers and old fuddy-duddies. Take all of your cash and put it into your best idea (see point #9).
11. A company's leverage and debt maturity profiles don't matter. Debt markets are always wide open and profits are always going up so don't worry about a company's debt. High amounts of debt are the sign of a good capital allocator no matter the business or economic cycle. In fact, it's imprudent for a company not to lever up to the hilt.

Special Situations

12. Merger arbitrage is an easy source of riskless profits. Buying a company at $9.95 a month before a deal to buy them out at $10 goes through is the closest thing to free profit the market will offer you. Mergers never break. Remember: you're costing yourself serious returns if you own a stock getting bought out and you sell for a penny less than the deal price.
13. Chinese companies are different than normal companies. China is a massive growth market that will grow rapidly forever. Ignore any naysayers who say their numbers don't make any sense or that the rule of law provides zero protection for minority foreign shareholders. All the China frauds were exposed years ago and all of the companies that are left report good, clean numbers and care about growing outside minority shareholder value.
14. M&A is always transformative, and synergies are always easily achievable. If a company you own buys another company, it's always a good thing. M&A is never complicated. Management teams only underwrite easily deliverable synergies, and every deal creates huge shareholder value. Management teams are never interested in empire building at the expense of shareholder returns.
15. Ignore corporate governance or misaligned incentives. Management will always do right by shareholders, even when they control a company through super voting stock with limited economic ownership or own no stock and collect huge salaries. They simply aren't like you and me as they don't care about job security or their own prestige; they live simply to make their shareholders wealthy and sell to the highest strategic bidder at the most opportune moment.

Other Investors

16. Don't listen to anyone else. You're better than them, so don't listen to other investors. Don't bounce ideas off of them or try to have them poke holes in your thesis, as your ideas are perfect the moment you form them. Don't consider for a second that other investors may understand an industry or company better than you and can teach you new things or help you get up to speed on a company quickly. Certainly don't try to learn from their mistakes as you won't be making any of those.
17. Shorts are dumb. The corollary to point #16: shorts are always wrong. If a stock you own is targeted by a short, remember that you read (ok, glanced at) the company's 10-K and, thus, invariably know more than the short. Buy more and then taunt the short. Ignore their cries of "forensic accounting issues," "regulatory crackdown," or "history of fraud."
18. Always listen to what a company's debt is telling you. Debt investors are smarter than equity investors. That's why they chose to work in a field with lower fees, less prestige, and lower prospective returns or potential for differentiation. Period. End of story. If a company's debt is trading well below par, they are obviously going

bankrupt and the equity is worthless. If a company’s debt is trading at or above par, there’s never anything to worry about and the stock can be invested in without fear.

19. If a big investor is buying, it’s because they have better insight than you. Giant hedge funds and famous investors aren’t like the rest of us. They’ve always done tons of due diligence before purchasing positions, and they re-underwrite their position every time they add to it and twice on Sundays. They never add to a position because they’re on tilt or are irrational. Not once have I called up a fund with a good reputation and a big position hoping to have a thoughtful discussion on a stock and been disappointed when their thesis basically boiled down to “it looks cheap”, “we bought it at $30 so we have to double down at $15”, or “Ackman bought it so we did too”. NOT. ONCE.
20. Rich people are smarter than you. The corollary to point #19: if someone is rich, it’s because they are smarter than you and know more about business and life in general. If they’re buying a stock, it’s always a good thing. Real estate tycoon buying into a pharma company? Bullish. Geek who bought bitcoin five years ago going activist on a microcap infrastructure company? Back up the truck. Wealthy 19 year old heiress turned Instagram model buying their first stock because the ticker is their initials? Take out a credit card in Little Johnny’s name and lever up, because this thing is going to the moon.

Miscellaneous

21. Dividends indicate management’s confidence in the business. Companies only pay dividends when they have complete confidence in their business model. If a company continues to pay a dividend even when the stock is tanking and it seems like competitive pressures are eating them alive, you can be confident the market has it wrong. Management and boards are always in complete control of a company and only pay dividends when they make sense, never because they feel obligated to or because they don’t understand how much trouble they’re in.
22. Take management’s word on everything. Management teams are straight shooters who never try to make a business look better than they actually are. If they give you an adjusted EBITDA number, take it at face value. If they say an expense or capex item is one time, then you will never see a similar expense / capex item again! If they have an illiquid subsidiary that they say has the potential to be worth more than the whole company, they’re probably sandbagging and it’s already worth five times as much as the whole company. If they say a quarter is going to be fine or they are very confident they will hit their guidance, you might as well start valuing them using their guidance because you can take that promise to the bank.