

# Interview With Charles Lemonides Founder Of ValueWorks Talks Valuation Process, Shorting, Risk Management And More

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Today is a very special episode, I am here with Charles Lemonides, he is the Founder of ValueWorks, he founded ValueWorks back in 2001. He began his career with Gruntal & Co, in their Research Department. He then joined Sterling Advisors an investment advisory unit of Gruntal & Co. He has a bachelor's in history from Vassar College and pursued graduate studies in economics from New York University. He received his CFA Designation in 1989. In today's episode we discuss his investing philosophy and what he looks for in equities. I want to welcome Charles to the show and I want to welcome all our listeners to a very special episode.

## Transcript

*Welcome to ValuTalk with Raul.*

**Alright, so I just wanted to welcome our listeners to a very special episode. I have Charles Lemonides, Portfolio Manager and Principal at ValueWorks. Charles, welcome to the show.**

Thank you very much for having me.

**Alright. Yeah, if you can just tell me what led you to finance and investing?**

I've always loved the idea of trying to earn investors a return and make money in the capital markets. And value investing has sort of been my entry into that because it makes sense to me as a process.

**And can you tell me why you were attracted to value investing?**

It gives you great downside protection when things go wrong. There are a lot of investment styles and strategies that work. And I don't think value investing is better or worse than other styles or strategies. I think it suits my skillset pretty well. And that's especially because it's surely empirically based more than emotionally based, and that works for me. And because the biggest challenge for investors I think is not when things are going well, but when you have hiccups in the portfolio at moments in time. And the nice thing about a value approach is that when things go wrong you can revisit your math and reassess where you are at that moment in time. And if your fundamental case is still intact you can weather the storm and come out the other side. And that's what really ultimately makes it for me a stronger investment discipline than a growth discipline or a momentum discipline or any other sort of technical discipline that's out there.

**I know on your site it says the name, ValueWorks. If you can explain that. But I like what you put; you guys are like “value does work”.**

Well, to us value simply means that you start by caring about the price you pay for a security. It's not buying lousy businesses at discounted prices, and it's not buying those bottom half of the valuation continuum, it's caring about the price you pay to buy something when you're buying it. That you try to go out and understand what these assets are worth right now and what price you're really paying to get at them. And then when you can get a dollar's worth of good assets for 50 cents, that's the nub of an investment thesis to us. And I think there are other really solid investment strategies that make sense and are equally as good but they're just different.

**Right. Can you give me like an example of what you're looking at right now?**

Well, I'll give you a contrast between value and growth and that is that a growth investor starts by trying to find the best possible asset and not care as much about what price they're paying. If you want to buy the crown jewels you are rarely going to get them cheap, and that doesn't mean it's a bad strategy, it's just a different approach. Our approach works for us because it's one of two big schools of thought that are both logically based, solidly, you know, it's a solid logical foundation for it and we have the skillset to implement it.

**Can you tell me more about the valuation process and how you guys assess the quality of the companies as well?**

Sure. So, you know, one of the nice ways that I like to answer the valuation process is going back to my very first investment which was quite some time ago. But I tripped across a bond that was backed by an airplane. And the airplane seemed to be worth \$30 million and the bond had \$20 million of face amount outstanding and it was trading at a discount. So in that investment we were getting control of an airplane worth \$30 million and we were paying arguably \$15 million for that control. Our last investment that we made, or one of the last investments was Goldman Sachs. Goldman Sachs is a financial company that should get value based upon multiple to book value. Financial companies get valued on multiples to book value because ultimately, tangible book value is what allows them to earn a rate of return. And when you can buy a quality financial company at a discount to book it will tend to work out for you over time. And so when we look at Goldman Sachs, when we ask what their business is worth it's going to be a premium to book value. And book value of Goldman is something over \$200 a share and the stock is under \$200 a share and book value will grow because they'll earn a return on equity. And historically that return on equity has been between 12 and 15%, there's no reason to believe it's going to be any lower any time soon. So you should earn a rate of return on that investment of between 20 and 35% over the next year or two years as book value grows and the premium to book value comes back into the stock.

**Has your evaluation changed over time since you first started?**

The only thing that's really changed for us is that we have a wider and deeper toolkit of things that we can use to assess valuations. When you start you are more limited in the expertise you have and what things you can feel comfortable valuing. You know, after 30 years of doing it there are a wide array of things that we feel very, very comfortable looking at and trying to understand their value.

### **Can you give me examples of the ones that you find you're most comfortable with?**

Well, we bought Apple 20 years ago before, as Steve Jobs had just come back into the company and they were rolling out their new bubbly computers. And the stock was trading at a discount to working capital. Now, a discount to working capital is the most classic Graham & Dodd value we approach. Value investors in the late 1990s were shunning Apple because it was 'a technology stock' and Warren Buffett said he didn't understand technology stocks and so they weren't value investments. We looked at it as an equity, that we were buying a business at a discount to net working capital, which is the classic value approach. We probably earned our investors 4 to 6 times their money on Apple from where we bought it to where we sold it a few years later, one of the worst sales we ever made, because it went up an awful lot between then and now. But in this last market selloff we re-entered the investment at something like 11½ times forward earnings. And if you adjust for the cash that they have on their balance sheet, a lower multiple than that. Apple throws off \$80 ish billion worth of cash flow per year, and you're buying it at less than 10 times that. And it's a franchise that is second to none on a global basis. There's brand value in the company like nobody's business, there is a moat to their business. The fact that they have a proprietary operating system and people are comfortable with that operating system and use it on a regular basis is a competitive advantage and a moat that is a pretty classic business strategy moat and you're getting it at a very, very low valuation.

### **Does the valuation change now that they're trying to switch over to a service company?**

A service company should go into a higher multiple. The fact of the matter is you're getting it at a low multiple for a hardware company. So it's the classic thing that we try to do, which is to buy growth companies at value prices so that over the past 10 years, Apple has traded at 10-15 times earnings. And that's been because it's been viewed as mature, although it hasn't turned out to be that way and it's been because it's a hardware company. I think that it's completely credible that two or three years from now Apple will be perceived as a services company with a recurring revenue stream. It's not going to happen in the next 12 months but I think it could credibly be happening three years from now. And I think as that happens I think the multiple could go from, you know, 11 times, not back to 15 times, but up to a 20 or 25 times multiple. Growth companies and recurring revenue stream companies get value to 20-30 times earnings all the time in today's market environment. If the market environment becomes even more excited and hyped up two or three days down the road, which we think will happen eventually, Apple is the kind of company that could get a very strong premium valuation. And so we're getting it at a low valuation today and could credibly see it as a growth stock two, three, four years down the road and a growth of multiple.

### **Any particular industries or businesses that you stay away from?**

You know, the airlines have been the biggest value traps over forever. I have been tricked into buying them somewhere along the way, it's been a mistake. I make exceptions to what I don't buy all the time when things change. And at some point in time maybe we'll make an exception to not buying airlines. But for now the only thing I can say that is sort of off my list would be the airlines. And that's because the industry structure is just brutal and the relationships with the labor unions is not awesome.

### **Can you tell me more about value traps, how you define it and your ways of avoiding them?**

Well, look, a value trap is simply when you buy a dollar's worth of assets for 50 cents and the assets erode in value so that next year they're worth 90 cents and you're trading at 45 cents. And a year later they're worth 70 cents and you're trading at 30 cents. And that's because the asset is depreciating in value over time, and the only way you can avoid doing that is by being critical about what the underlying asset really is and whether it is something that's going to grow in value or not. In the case of Goldman Sachs we're very confident that book value will grow over time because we're confident they're earning a very healthy rate of return on book value. And so we're confident that the assets are growing in value over time. In the case of Apple, the demographics and their user base and their increased penetration year in and year out and the increased relevance of high end consumer technology that they bring to the table is only growing and growing. And so we're confident that that underlying asset is growing in value over time. Whenever you make an investment you have to ask yourself whether the asset's going to be appreciating or depreciating. And one of the biggest drivers is whether management is going to be a good steward of that asset or not. One place where we really find that it doesn't matter what price you're paying for an asset is where management is simply going to mismanage that asset and throw the value away and erode the value over time. So our biggest signal to avoid in an investment is when we think management is simply not up to snuff.

### **Can you tell me how you evaluate management?**

It always has to be on performance, like it's not on personalities. It's whether or not they have been executing well against their competitors and their industry over time. So that if a company is consistently making silly decisions and silly mistakes and, you know, year in and year out, not delivering, that's suggesting management's bad. What we really like to find are places where good managements have one time missteps. And to judge whether it is a good management with a one-time misstep or if it's a management that is not up to snuff is a little bit where the art comes in and where judgement has to be exercised.

### **What are examples of questions you would ask them to try to assess that?**

It's very rare that we do that through speaking with management. It's almost always that we look at what they have written in their reports last year and the year before and the year before and then we see how things have played out. We have the benefit of investing in companies that have been around for a long time, you know, we don't invest in startups. And so there is an annual report that that company put out 10 years ago that told you what their game plan is. And there was one they put out eight years ago and six year ago and four years ago, and if you read those and then you see how things played out, you get a good sense of whether that management has been competent or not competent. And if there's a pattern of promising and underdelivering or delivering through mechanisms that you're not comfortable with, then that's a good sign that that management is not one you want to invest in.

### **Do you have any favorite all time management teams?**

Well, there's no question that, you know, Steve Jobs and the team he put together was the best management team going. We were happy to have invested in them early, and wish we had stayed longer. You know, one of the negatives of being a value investor is that you don't tend to participate in

the ultimate success stories. You know, you follow stocks up until their fairly priced and then you exit them, so we play in the bottom half of the valuation continuum. And so that once they have become loved by investors and everyone loves the management we tend to thank them very much for the rate of return we have earned up to that point and wish them well in future endeavors and we're not invested in those hyper growth type situations. So what we feel we are good at is identifying when a quality management is going through a difficult period, and are going to come out the other side. And I think one good example of that right now is United Natural Foods.

### **Can you tell me more about that?**

Sure. United Natural Foods is, as the name implies, they're a natural food distributor, they service natural food stores, small one, mom and pop's corner and natural food stores and the biggest national chains on the wholefood side, in fact, Wholefoods is their biggest customer. That management team started the company 25 years ago or so out of a garage somewhere, and grew it into, by far, in the way of the largest natural food wholesaler and distributor in the world. They were generating revenues of something in the order of magnitude of \$8 billion and their stock was an investor darling for a large number of years. It ended up trading at something like 25/30 times forward earnings at its peak several years ago when it was trading at \$50+ a share. It was a huge winner for investors. The company has shown consistent top line growth and consistent bottom line growth in an industry that has been very, very competitive. Now, they were smart in that they got into the growth part into the industry, which is wholefoods and natural foods. And built their business around brands that were increasingly gaining customer and consumer attention and that worked extremely well for them. And they have executed really well against that business model.

A couple of year and change ago they began discussing purchasing SuperValu which is a somewhat similar company in that they're also a food distributor to supermarkets, but they're much more in the classic food channel model and serving much more classic grocers. SuperValu has been a troubled company for as long as the eye can see. And has mis-stepped time and again and SuperValu management was not a management we'd invest in at any price. Now, United Natural Foods closed an acquisition, when United Natural Foods started talking about buying SuperValu the investor bases at United Natural turned on them with a vengeance. And investors have fled United Natural Foods because of concerns about execution risk in this acquisition, I think more than anything else. SuperValu, and their combined company will generate something like \$20 billion worth of sales and \$600 million worth of cash flow this year. If management can operate that business efficiently that cash flow is going to grow and this company is going to have top and bottom line growth just as United Natural Foods has had for 10/15 years. Investors are concerned about execution risk and the company has mis-stepped on some of the parts of closing the transaction in a couple of different ways.

And the stock has come down to \$15 a share from like as I said, something over 50. At these levels it's trading ... the company currently expects and we think it's very, very credible that they'll earn something like \$2 a share run rate from today forward. So they're trading at 7½ times this year's earnings. They're doing \$600 million worth of EBITDA which ... and the company has \$3 billion worth of debt and a \$700 million equity cap. So you're paying roughly \$3.6 billion for \$600 million worth of cash flow or 6 times cash flow in a levered company. The upside in the common stock is easily a double and highly likely to be a triple or a quadruple over the next three years. This management team has been excellent over time, they definitely had a misstep but they have done acquisitions before and they have straightened them out before. Their missteps on this one are small and on the margin in our view and

the opportunity to transform how people are eating in terms of the quality of the product and in terms of the freshness of what the grocers are selling is something that this company has championed and executed against for 15 years, they're the best, they've been the best. Now they have a bigger platform to operate on and to execute against and the upside is dramatic I think, and it's as unloved a stock as you can get.

**I forgot to ask earlier, can you tell me more about your idea generation process?**

We like to say that we look for ideas by looking for ideas. We come to work every day and try to understand where the markets are and where different assets are being priced and where different types of securities are being priced, which industries are coming in favor and which ones are going out of favor. And as that happens things pop up as being outside of normal valuation ranges, sometimes to the highest value and sometimes to the lowest value. And when we see things moving outside of normal valuation ranges we get increasingly interested in them and increasingly dig in and do more and more research until eventually we either have a thesis or we don't have a thesis. And it's important to us when we do that to look for things that are different from each other, not to always be looking for the same investment idea, the same type of investment, but to look for other investments that complement the portfolio. So we've talked about three names in this conversation, Apple, which is well known, we understand the industry, we understand what they do, and it's as big as they get. Goldman Sachs, very different industry but also well known, like with big cap, easy name. And United Natural Foods which is all the way on the other end of the continuum, it's more of a niche business, and it's more of a niche company with a smaller equity cap, and that's by design. And then we have things in the portfolio that range everywhere between those extremes, from Bed Bath & Beyond, and Invesco and Brunswick Corp and Newell Corp, to Tidewater and Kulicke & Soffa and Comcast and American Express.

**When you construct the portfolio how do you position your best ideas?**

So our long only portfolios are built with 25-30 investment names and the position sizes range from 5-3% typically, with the more stock solid stable names like Apple and Goldman Sachs, of course at 5% and the more high volatile secondary and tertiary names like United Natural Foods at 3%.

**And then to keep the portfolio around 25-30 names?**

When we talk about a long only portfolio, we also manage a hedge fund portfolio which has similar long exposure, although a bigger concentration and a half a dozen or so short names where what we do on the short side is very much the mirror image of what we do on the long side.

**Can you tell me more about that?**

Sure. You know, when we look for things that are compellingly priced, we're always putting them in context with everything else out there that's sort of similar to those investment ideas and trying to stack up to get the ultimate cheapest one of those type of ideas. Every now and then, when you're looking for those things that are cheap there is something that sticks out like a sore thumb that's on the expensive side. Where there's no clear reason why one is trading inexpensively and the other one is trading expensively. And when we find those investment ideas they complement our long ideas really, really well because they take risk out of the portfolio, they take market risk out of the portfolio, they take sectoral risk out of the portfolio, and they take down some of the market risks, that's where you get your

volatility coming down. And so with our hedge fund portfolio we tend to shoot for an exposure that is 125% long and 25% or so short, so you're one times market exposed. The short side is very, very much security specific and bottom up fundamentally driven just as the long side is. Where it's just the mirror image of the investment idea, where into dollars' worth of assets that's trading at \$4 where we believe the assets are probably depreciating in value over time and where we see some reason where the premium is going to decline.

### **What's your timeline for the shorts?**

Our timeline for the shorts is the same as the longs. Most short investors talk about having a shorter timeframe and caring about a catalyst on the short side. I don't really understand the logic of that, we're going to be investing money for hopefully a long, long time, and if it takes two years or four years for a short idea to work out for us, we're completely comfortable with that. We don't have to be selling at the top, and getting out halfway down. When we sold CS Holdings with a triple digit handle on the share price and we sold it after it declined in half and there was huge downside after that. And we probably held it on the short side for quite a number of years. We are long Cheniere Energy today, symbol LLNG, they've built a great complex to export natural gas from the US. We were short that stock 15 years ago when they were completing building that network to import gas to the US, because the valuation at that time just couldn't be sustained and the growth couldn't be adequate to justify the share price back in that moment in time. It was at that point, going in the wrong direction, importing natural gas to the United States with a share price that was massively elevated. And we came into the investment three years ago in the midst of the commodity market meltdown, when the company really had very little exposure to commodity prices or commodity risk. And the financial metrics made it almost impossible that it wasn't compellingly priced.

### **Do you also short based on poor management?**

We wolfed that against what we think is a great management. We definitely pay attention to how a management is building their business. They're not necessarily bad managements per se, but they are relying on models that are ultimately not going to last forever. Our favorite example of that today is Broadcom. Broadcom common stock trades at \$270 a share, it trades at \$120 billion equity cap and there's \$20/30 billion of debt on top of that, so it's order of magnitude of \$150 billion. And the company generates revenues that are one-fifth of that if they're lucky. So they are trading at, at very least 5 times sales. The projective earnings multiple is not terribly high on Broadcom because analysts are assuming extraordinarily high wide margins and they're presuming that they're going to stay there. This management team has been excellent at buying a huge portfolio of assets with an elevated stock price and folding those operations in together and cutting costs. That's a model that works until it doesn't, and we have seen so many other rollup models that are predicated upon buying a business and cutting out all the expenses and ending up showing decent earnings for a moment in time. But if you don't invest in that business and you don't have assets in that business those earnings eventually collapse.

And, you know, Broadcom's whole business model is very much the asset light sort of structure that has been deployed by a lot of other rollups that have ended up collapsing. So, they started out with semiconductor operations that had manufacturing and they shut their manufacturing and have more outsourced almost all of the manufacturing to others. It's a model that allows you to do well when the ultimate markets are expanding and you're getting higher and higher margins. But it's a model that gives you less protection when there is a bump in the road. And frankly, the opportunity set for them to

continue growing through acquisition is no longer there. They have done their last major acquisition in the semiconductor space, they tried to buy Qualcomm, obviously that didn't work. And they now have moved on to a different direction in terms of buying computer associates and consulting type businesses. And that's going to be a harder business for them to manage, so management's been good in that they've created huge investor wealth over time but it's not as clear that they have run their fundamental chip business that terribly well.

### **What's your take on the graphene situation?**

You know, we've never invested in that on either side of it because, frankly, we thought the prices being paid were pretty darned full all around. You know, Mr. Buffett has done a good job in many, many instances, but that was not an instance where he was price sensitive when he put money to work. You know, he bought onto a management and they paid reasonably full prices for assets and, you know, why they thought they were going to run them so much better than they had been run before is not obvious to me. And they might have known things that I didn't know, but it didn't look to me like the opportunity was there that they thought was there and that's why we never participated.

### **How do you define risk?**

Yeah, look, I think of risk as the ultimate loss of principal where things don't come back in price. You know, I understand valuation compression upsets people when that happens in a moment in time. And we definitely take our share of valuation compression in the portfolio as we are, you know, we bought United Natural Foods the first time at 20 down from 50 and it went to 15 and we bought more and it went to 10 and now it's 15, that has all played out in a matter of months. There's an element of risk in that. But we think if we look a year or two years down the road it's highly unlikely that that's going to be less than \$20/30 a share. So we don't define risk necessarily just a moment in time of the price going down, although if we have to sell it and if our investors exit their portfolios they see real risk at that moment, and real negative economic impact. But we measure risk as from beginning of the investment to the end of the investment. And quite frankly I think that's been our biggest competitive strength because we've been able to generate better than average returns over time because we've been willing to step into things when they have become cheap and haven't gotten scared when they got cheaper.

### **Alright, then can you just tell me more about your selling process? I know you mentioned a little bit earlier.**

Well, it is one of the unfortunate things about being a value investor is you don't get to hold fun things that everyone's talking about. We exit investments when they become fairly priced. And that means that an awful lot of the time they become much more excitedly priced and we miss out on that huge excitement and we miss out about telling that story. We bought Boeing 10 years ago at \$50 a share give or take and sold it at 5 times that price. But that 5 times that price is half of whatever it stands today, just about. So, maybe that's one of the negative tradeoffs about what we do is that we buy things when people hate them and we sell them when people think they're okay. And sometimes they go to really loved and, you know, we're not in them at those points in time.



## **When investors kind of do a style drift, where they may hold it for longer, that never happened to you?**

Well, we have relaxed our discipline a couple of times along the way. But we've been pretty hardcore about exiting investments when we think they're fully priced. We have made an exception to that here and there. Back in the late 1990s we were value investors. In 1997 we had a great year, 1998 we had a typical bad value year, we were up 12%, the S&P was up twice that and people were complaining about us for not having technology stocks. And at the end of 1998, I said, "Well, I think I have technology stocks, I think Apple that I'm buying at net working capital is a technology stock. I think this National Semiconductor Convertible Bond gives me technology stock exposure. I think Qualcomm Convertible Preferred that I bought a year and a half ago at \$44 a share is a technology stock, they're just not priced that way today." At the end of 1999, Qualcomm had been the best performer in the NASDAQ 100, we owned it, the convertible the first day in '99, each time it became the stock doubled or tripled it got to be 10% of our portfolio, we scaled it back to 5%. By the end of that year it had done that so many times it was nutty. And at the end of the year it was no longer a value stock and it wasn't priced for a value perspective. But we did keep it in the portfolio as an exception to that rule, that was a time 20 years ago we made that exception. And we bought Qualcomm again for everybody in the past 12 months.

## **What are your views on the passive investing and ETFs?**

Look, I am a strong believer that passive investing should be as against the rules as not voting proxies. You know, I think passive investing is a cost on the system, I think it's free riding, I think that people are not paying their fair share of what it takes to make the system work and I think that everyone gets hurt by virtue of that happening. I think the system is less efficient, I think volatility is higher, I think investors get less invested because passive investing is something we consider okay as a structure and we shouldn't. It's cheating the system, it's free riding. Of course the guy who gets on the bus and doesn't pay the fare does better than the guy who pays the fare when he gets on the bus, of course he has more money at the end of the day. But at the end of the day he is not paying his fair share of the price of getting to where you're going. And the US equity markets have earned great rates of return for investors over time because people have made good decisions about investments. We don't get 12% or 10% a year on the indexes just because God's ordained it or because the indexes do that. We get those rates of return because people make good decisions about capital allocation. If you had put money to work in the Russian investments in 1960 and look at where they are today, or you put them in the S&P and look at where it is today, you know, that's not apples to apples, it's not similar.

Our system has earned you a better rate of return because the active investment decision process generates 12% a year and a static system does not. Those who free ride on the system because they think they'll get better rates of return will get better rates of return than those who pay their fair price, but that doesn't make it okay. I run a money management firm, I have an affirmative obligation from the SEC to vote proxies when they come up every year. And I have to pay someone or I have to think about, I have to spend money on voting my proxies because the SEC and the policymakers have determined that if no one votes their proxies, bad governance happens and that people have to be responsible for good governance. And so I have to pay a higher price in order to vote my proxy. But when it comes to making stock selections they don't make me use the same judgement and that doesn't make any sense. If you're going to tell me I should vote my proxy, why is it okay for someone not to actually have to make a decision on whether this stock is expensive or cheap? Because ultimately if no one's making those decisions on what's expensive and cheap, markets get really volatile and investors get scared out of

them. And if you don't think markets are really volatile, you know, what have you been looking at over the past 15 years? Markets are more volatile because huge parts of the market are not making security selection decisions.

Look, it's okay for me, we outperform the markets because the markets are less efficient. And, you know, the fact that so many people index make it good for me because prices go to stupider places and get, you know, more extreme. And it creates more volatility but that volatility ultimately is good for me and my clients, but it's bad for the whole system. So, you know, those who get on a moral soapbox about how little value managers provide, are either being intellectually dishonest or really are not understanding the issues. So, you know, we're going to have a world where there's more and more passive investing and I don't think that's a good thing. I think it might end up changing at a point in time but we'll probably have a lot of volatility before that happens.

**What about like the factor ETFs where they kind of do like a value based factor and a momentum factor and kind of make similar decisions but just using a more systematic approach that way?**

Well, listen, if you're making some investment decisions then you're doing some good work. If you're making no investment decisions you're not doing good work. And, you know, everyone's somewhere on the continuum and, you know, a factor based model where you're making some decisions is much better than a purely blind approach. Still I'm not sure that's good enough.

**So should the system nowadays tilt back towards the active managers and should there be more active managers?**

I think you'll get higher rates of return and more stability if you have more active managers. So I think everyone will earn a higher rate of return if you have more active managers. So while managers will get paid and that'll be a cost on the system, there'll be more efficiency in the system and the overall investments will do better with more managers.

**So you don't see the industry being too saturated right now?**

I think that this industry has been squeezed in a lot of ways right now and I think that the percent of the market that is being driven by people making security specific decisions is really, really small. You know, 40% of the market is owned by straight up index investments. But a huge portion of the rest of it is closet indexed or indexed explicitly and so the percent of people that are making decisions based on bottoms up fundamental analysis or understanding the business of these companies is tiny relative to the size of the market. And I think that's not a healthy place to be.

**And the one question I forgot to ask, is value investing dead?**

Value investing will never be dead. There are good ways to do it and mediocre ways to do it. We do it in the way that is classically perceived as crappy businesses at discounted prices. You know, we don't apply our crap just in the Russell 2000 value stocks, we'll look for a dollar's worth of assets among good high quality businesses and that as an investment is one can never be dead.

**And then your closing thoughts.**

We love to build portfolios that last over time, and we love to see our clients assets appreciate over time. Investing can really be super hard from an emotional perspective when things get bumpy. And helping clients navigate through those bumps is the single most important thing investors can do and professionals can do for their clients because ultimately it doesn't matter if you earn 10% a year or 14% a year over 10 or 20 or 40 years. What matters is that you earn either 10 or 14% a year over 10 or 30 or 40 years and don't get scared out after you've lost money and don't get uninvested. So the most important thing we as an industry do is give people a rationale and a reason for being invested because ultimately being invested is what matters. Outperforming the index, it doesn't mean a hill of beans. Earning a fair rate return of capital on your capital over time is what counts.

**Yeah, makes sense. Charles, I just want to thank you for taking the time and thank you for coming on our show today.**

Thank you very much, a pleasure.