

## **Market Cycles:**

Every market cycle has a style or approach that pays off disproportionately. Whether it's Value in the early 2000s, Growth in the 2010s, or Capital Light Compounders more recently, each era has its winners, and investors aligned with that approach, by accident or intentionally, often believe they have found the investing holy grail.

Then, performance begins to fade and investors wait, for years or even a career, for that style to return to favor. This can be even more pronounced in fund management, as once you've made a lot of money doing things a certain way there's a resistance to change. Even small adjustments can be criticized as the dreaded "style drift" by consultants and when, combined with lagging performance, result in the loss of client confidence.

I've become cautious as owner-operator and founder-driven investment approaches have performed well and become popular. Has the market caught on to modern-day operators cut in the same mold as Tom Murphy and Henry Singleton? Many of their companies appear to be bid up to prices that already reflect the optionality embedded in the business models.

So what's the solution? Backing great CEOs early in their careers.

The companies are less polished, the numbers are messy, and the potential earnings power isn't obvious....yet. While this approach demands more confidence in your qualitative judgment and a willingness to invest without relying on numbers as a crutch, investing when the moat is being built can be immensely lucrative. At the end of the day, people are a company's most reliable leading indicator.

These investments often fly under the radar of institutions, which are structurally limited in how they invest. Liquidity, size constraints, compliance restrictions, and career risk are all barriers. It's hard to pitch a company with limited history or profits to an investment committee—no matter how good the operator is.

Getting in before them is the opportunity.