In investing, when you buy matters as much as what you buy. And one of the most overlooked opportunities is finding a company while its moat is still under construction.

At this stage, the earnings will be lumpy and unusually difficult to predict. Less profitable operations are often discontinued. Management will be experimenting with strategies to improve the economics of the business and traditional investors will say there is too much uncertainty.

The stock price will be volatile.

But beneath the surface there will be positive signs: real estate is acquired, supplier relationships are established, new markets are opened and customers are emerging.

The key is to look for tangible progress, not just promises.

Emerging moat companies rarely look cheap on traditional metrics and the stock will usually be a few years ahead of the fundamentals. While valuation can’t be ignored and paying a silly price isn’t a good idea, obsessing over short-term multiples can make you miss the bigger picture and a great long-term opportunity.

Perhaps counterintuitively, investing in a young growing company can be less risky than one with a mature business model that is under constant scrutiny and attack.

But a moat isn’t built overnight. There will be fits and starts and management will make real mistakes that test your faith. This is just the nature of business. But if you have backed the right people - early - they’ll figure it out. And you will be handsomely rewarded for recognizing greatness before the market.