

# Taking the Long View

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I think it is appropriate to start with an excerpt from Sam Hinkie's recent resignation letter to his equity partners of Philadelphia 76ers since it summarizes much of what I have to say:

*Today's league-leading Golden State Warriors acquired Draymond Green, Andrew Bogut, and Klay Thompson almost 4 years ago, nearly 4 years ago exactly, and almost 5 years ago.*

*Ask who wants to trade for an in-his-prime Kevin Garnett and 30 hands will go up. Ask who planned for it three or four years in advance and Danny Ainge is nearly alone. Same for Daryl Morey in Houston trading for James Harden.*

Similarly, Jeff Bezos has said that if Amazon has a good quarter it's because of the work they did 3, 4, 5 years ago—not because they did a good job that quarter.

As an investor your focus should be the on long-term fundamental performance of your holdings rather than real time stock price movements. Movements of the general stock market during such abbreviated periods are largely irrelevant. The one-year return for any one of my holdings is random at best.

The good news is that as time goes by, the underlying returns earned by the businesses themselves start to dominate. This is what Ben Graham meant when he said: 'In the short run, the market is a voting machine but in the long run, it is a

weighing machine.’ And occasionally, the voting decisions of market participants border on lunacy.

Furthermore, taking the long view has an advantage – fewer competitors. In a 2011 interview Jeff Bezos told Wired magazine that: ‘If everything you do needs to work on a three-year time horizon, then you’re competing against a lot of people...But if you’re willing to invest on a seven-year time horizon, you’re now competing against a fraction of those people, because very few companies are willing to do that.’

I think there is a real time arbitrage opening up. An old saying is that in a bull market, your time horizons grow longer and longer. In a bear market, they grow shorter and shorter. The current market turmoil has compressed the time horizons of many market participants.

As a result, the playing field for longer term investing is getting less crowded. Fewer people are able to think about the long-term and I believe that creates an opportunity to buy wonderful, long duration investments, at better prices than has been the case previously.

I plan on using this turmoil to upgrade the quality of my portfolio by investing in companies that would usually be too expensive to buy. However, many of the better quality stocks have not been that badly knocked down. I’m also slightly gun-shy after this difficult period, so I’m even more sensitive than usual about the possibility of taking excessive risks. Nevertheless, I believe that it’s now time to be more greedy than fearful.