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VOLUME 14
ISSUE 4
MAY 31, 2024

INSIDE

Listening In
GoodHaven PM Larry Pitkowsky, Determined Not To Blow Second Chance and To Build Compounded Wealth At His Long-Time Shop, Refines Firm's Value Focus; Concentrates On Buying Low Strictly In Top-Quality Names With Sustainable Growth Tailwinds And Patiently Holding As Long As Those Fair Winds Persist

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listening in

GoodHaven 2.0 Rebounds

Value Shop Concentrates, Refocuses on Fundamentals, Patience

Second chances are rare across society today — and virtually non-existent in the eat-what-you kill investment community. Nobody has to tell that to my friend Larry Pitkowsky, pictured over yonder.

Larry is well aware of the inordinate privilege bestowed on him by his partners, investors and clients at GoodHaven Capital Management, LLC and its GoodHaven Fund in giving the him the leeway to drive a turnaround at the value shop, which Larry had co-founded and had been running with his former co-senior partner since back in 2011.

Larry Pitkowsky

Long story short, after a red-hot start (and an interview in these pages) the pair's performance for clients embarked on a roller coaster ride that left returns sadly lagging not only the market but comparable value shops by the end of 2018. The next year's performance was following the same path that summer, when Larry began negotiations to buy out his former co-senior partner and reorganize GoodHaven. The result is what Larry calls the "refocusing" of GoodHaven. He is the sole managing partner and PM. Larry and his family are the controlling owners. And Markel Group, which had backed GoodHaven from the start, significantly bumped up its investment around the time the deal closed.

Yet nothing fundamental has changed at what he informally refers to as "GoodHaven 2.0," Larry insists — certainly not when it comes to its adherence to the principles of value investing. The 2.0 is all about the nuances of refocusing on them; not being distracted by unknowables in the macro environment, and concentrating the portfolio exclusively in GoodHaven's deeply researched, highest-conviction high-quality stock picks, opportunistically acquired only when trading at significant discounts to intrinsic value — and then holding them, at least for a private-equity-like period and preferably much longer.

So far, it's been working like a charm, with GoodHaven Fund rebounding into the top ranks in the

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Welling on WallSt.

Published exclusively for professional and/or avid investors who are paid-up subscribers by
Welling on Wall St. LLC
ISSN 2332-161X

Kathryn M. Welling
Editor, Publisher & Principal
Kate@WellingonWallSt.com
Office. (631)315-5076
Cell. (973)650-2722

Donald R. Boyle
Chief Financial Officer
Chief Marketing Officer
Don@WellingonWallSt.com
Office. (631)315-5077
Cell. (201)394-1548

Distributed 8 times a year, usually on Fridays,
by
Welling on Wall St. LLC
PO Box 620
Mattituck, NY 11952

Office:(631)315-5076
Fax. (631)315-5077
www.wellingonwallst.com

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fund performance derby for the last couple of years. But it seemed quite clear when Larry and I chatted early this week, that while gratified, Larry is not about to let early success go to his head. He couldn't be more focused, this time around, on building generational wealth, one portfolio addition at a time. Whether he'll succeed at this juncture is an unknowable as Larry would say. But there's no doubt Larry and his small team are fully engaged in their crusade. Listen In. — ***KMW***

I can't believe it's been a dozen years since we've had an on-the-record chat, but that's the fact. Given that value stocks have enjoyed only one measly year out of the performance doghouse over that stretch, not to mention the rollercoaster ride your fund has taken, you must be really into challenges – or identify with Sisyphus.

Larry Pitkowsky: What can I say? I like to turn over rocks. It's a very interesting endeavor. You never know what you'll find — when you will stumble upon something that most people ignore as just part of the landscape — but that you view a bit differently. What we like to say here is that we sometimes have a bit of a variant perception of a particular business or security than everyone else. When we do, and if we then do our jobs well, being right means being rewarded in performance in the GoodHaven Fund (GOODX). Which is not only professionally rewarding for me, it is scarcely an academic exercise — as you know, my family and I are big clients. So I am very happy to have had — and have — this opportunity to improve on our historic track record.

You and your co-founder Keith Trauner had come out of Fairholme and put up a couple of years of very strong returns when we spoke in 2012. Then things got tough.

Larry: Yes, GoodHaven had some rough years there in the middle, and we've had some very good years lately. We're finally kind of accomplishing what I had hoped we would have been able to accomplish all along.

"I'm very pleased with – but not satisfied by – our better-than-index-performance as GoodHaven 2.0 – in no small measure because we achieved that while taking less risk than most rival managers."

But it's hard game. It is a never-ending challenge and perpetually fascinating. I'm just grateful that we have, besides our wonderful anchor investor, our minority partner, Markel Group (MKL), we have so many other *long term-oriented* shareholders and clients, who were patient enough to wait out the difficult periods — and that we are living to welcome a bunch of new high-quality folks as investors.

In fact, didn't Markel bump up its investment in GoodHaven around the time of the reorganization?

Larry: Yes, materially. As I said, I am incredibly grateful for Markel CEO Tom Gayner's continuing support and encouragement.

I just find it endlessly fascinating to participate in the markets — which just goes to show that you don't have to trade frenetically, or even actively — to find investing both compelling and rewarding.

I can't imagine what happened in your childhood to imbue you with so much dogged persistence that you have cheerfully stuck to your value guns.

Larry: That *is* an interesting question.

The frustration inherent in value investing these days just must be formidable at times – Why subject yourself to it?

Larry: First of all, I have always found the world of business interesting, in itself. I always found trying to understand what made certain businesses better than others fascinating to research. I enjoy observing management teams and examining their products and strategies — sometimes from up close, sometimes from afar — and trying to understand what they're really saying, what they're really doing, what their real intentions are, and, of course, watching how their shares fare in the markets. There are endless variations on the theme. Or, as I often say, there are a lot of ways of getting into heaven in the markets. I mean, you wrote a wonderful book, **"Merger Masters,"** about arbitrage — which is certainly a much different strategy than those pursued by most long-term value-oriented in-

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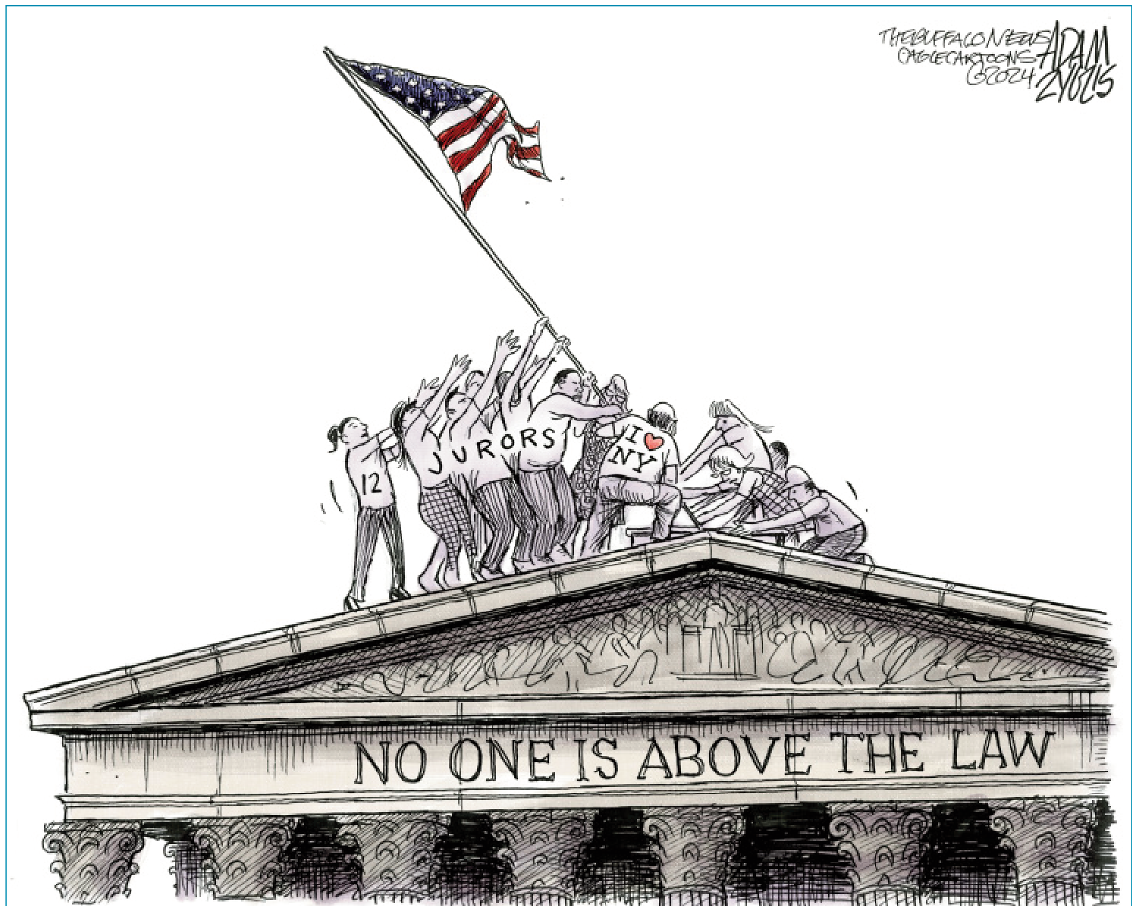
vestors.

Well, yes and no. In terms of time horizon and risk appetite, no kidding. But both strategies crucially rely on misapprehensions of value and the extraordinary power of compounding.

Larry: Okay, though I suppose every investment style relies on compounding to a degree. But what I was getting at is that there are also people who have constructed very large and quite successful businesses doing other things that are *utterly disconnected* from value. For instance, you would have to be a little bit unhinged to argue with the results that the late Jim Simons achieved at Renaissance Technologies. But that was by trying to — and quite successfully accomplishing — coming up with predictive measures for the short-term price movements of securities, based on historical patterns and all sorts of other quantitative factors, and then actively trading on them, at size.



Their Duty by Adam Zyglis, The Buffalo News, NY

No argument. The recently deceased Mr. Simons achieved what had long seemed impossible.

Larry: So Jim Simons's path to investment paradise was entirely different than a value investor's. But I am no Jim Simons. I've pursued a value-oriented approach because I happen to think that I have a reasonably good emotional temperament for trying to use the market *to serve* me and my investors — instead of guiding us. Another way I express this is by insisting that the market and investing are not an IQ test.

I've never met a successful investor who struck me as lacking in smarts.

Larry: Sure. But if the market were an IQ test, everybody in the business with an IQ above a certain number would have a boat like David Geffen's. Doesn't work that way. If it were all about constructing the best spreadsheet, well, there are a lot of really great, talented spreadsheet jockeys out there. Every young person coming into finance. It's just not about particular skills. It's not just about assimilating all the information out there, disseminated or not. There are a lot of what I'd call other soft skills required to succeed in investing strategies of every stripe, and I think the ones important to value investing suit my personality.

Like what?

Larry: Certainly my emotional temperament, in the sense of being able to do things, even if they are not what the crowd, everybody else, is doing, and my endless curiosity about business as well as my strong desire (if I do it well) to build a commercially rewarding business that is complimentary to being invested alongside our clients and shareholders.

On the other hand, even if GoodHaven had no clients or shareholders, I don't think I'd be doing anything very different, as far as portfolio management goes. But there's no denying that I'm very interested in having this business become quite successful — as an offshoot of doing a great job as a fiduciary.

So what is new and different about GoodHaven 2.0, as compared with the original?

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Larry: Well, the first, and the super-important, thing I want to say about what is different about 2.0 is that whatever was imperfect about certain years in version 1.0, Larry — I — was in the room as an equal partner for all those decisions. *So I was there*. Besides that, the other important thing I want to emphasize is that — whatever changes that the key participants decided to make, agreed upon, and put into effect at the end of 2019 — were all consensual changes that Keith and I came to after lot of discussion — and that Markel supported, as our anchor investor and minority partner. Everybody felt that 2.0 was the best thing for the next stage of everybody's lives — and also for the business. That was very important to all involved.

The proxy basically laid out an arrangement in which sole control of the investment adviser and full responsibility for the client portfolio management was transferred from you and Keith to you solely, while he retained a minority interest and a profits participation in the investment adviser — and also freed himself to pursue other investment activities. Is that a fair reading?
Larry: Essentially. But the proxy also stressed that the reorganization would *not* result in meaningful changes in investment processes and policies.

Then you simply wanted a bigger stake — and to call all the shots?
Larry: No, but in creating GoodHaven 2.0, there were some key tenets of our existing investment philosophy and strategy that I thought should never change. I mean, can you imagine sitting down with a potential client and saying to them, "I just want to tell you that this whole thing we used to preach — about trying to buy pieces of a business for less than they're really worth, being long-term-oriented, not trading a lot, and trying to deeply research and be right about the direction of the businesses we buy for at least three to five years into the future — we don't do any of that anymore."

No way, unless you were trying to send them packing.
Larry: Just saying that out loud makes it obvious how preposterous that would sound. I just want to make it clear right away that 2.0 adheres to all of the same value investing principles that 1.0 did.

What a relief, you haven't turned to momentum trading!
Larry: Again, there are lots of ways to get to heaven. I'm not saying that momentum trading, if that suits your potential skill set and your personality; if you enjoy the work required to do that well, might not yield better-than-market results — for you. I'm not that guy. But everybody answers those questions somewhat differently.

Or just falls back on indexing.
Larry: Well, by the way, I don't think there's anything wrong with that. But I'm working hard — alongside my now-partner, Artie Kwok. (Artie joined the GoodHaven team in 2014 as an analyst out of Green Eagle Capital and HSBC Asset Management.) Artie's responsibilities now include idea generation, investment analysis and assisting in portfolio construction. We both work closely here with the firm's three administrative people, who are the ones who really make GoodHaven tick: David Gresser, our director of client services since late 2010, Lynn Iacona, who became our director of operations in 2019, after serving in multiple capacities since joining the firm in 2011, and the relative newcomer in the office, special project consultant Linda Baxter. She joined the team in early 2022, but brings with her over 20 years of financial industry experience — including a decade at Fairholme Capital Management. Everyone here is working very hard. Artie and I are striving to continue to generate the sort of outperformance we have put up in the four full years I've been steering the helm at GoodHaven 2.0, delivering a little of the best of both worlds.

Can you be more specific?
Larry: I can share what I wrote in our first quarter client letter, using Morningstar's statistics: "While we wonder if there is a perfect 'category' for our unique portfolio we note that, according to Morningstar, our public fund ... ranked (at 03/31/24) in the top 2%, 1% and 3% of our category for the trailing one, three, and five-year periods respectively."

But, again, we are managing for long-term compounded returns, not the short-term performance derby, and there *will be* periods when we lag both the broad market and our investment peers.

And I also want to say that I'm very pleased with — but not satisfied by — our better-than-index-performance since becoming GoodHaven 2.0 — in no small measure because we achieved that outperformance while *taking less risk* than most rival portfolio managers. In fact, we've carried an above-average amount of cash for the last year or so — outperforming despite that "drag." I *like* cash, as a shareholder and as a client of GoodHaven, and I believe our other shareholders and clients like its optionality, as well.

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So you carried over your affinity for holding a hefty cash cushion, as well as value mindset from the O.G. GoodHaven to 2.0?
Larry: Well, the size of our cash position has varied significantly more, in the last four years, than it did earlier — and for a time, it was materially smaller in recent years, as we realigned and concentrated the portfolio, opportunistically buying some names that had long been on our "wish list" during the COVID panic. Most recently, our cash cushion has been larger than usual, as finding great companies at valuations that are enticing to us has become increasingly difficult. But I very much continue to believe that holding a liquidity position is crucial part of good portfolio management.

That's a decidedly non-consensus view on the Street. Why do you embrace it?
Larry. It's no mystery. So that we are capable of making opportunistic purchases, when they become available — while also meeting redemptions as they occur. Those beliefs haven't changed. But I'm aware, as well, that by running a more concentrated value portfolio than we have in the past, that *the market valuation* of our portfolio *could* at times prove more volatile than GoodHaven experienced in its previous version. Which is another reason, I believe, that holding cash has value for us.

The cash will somehow dampen volatility?
Larry: It's not that. But the thing is that I don't believe that volatility is an enemy of investors, or that a drop in a security's price *necessarily* means that it is less attractive as an investment. Often, it means quite the opposite, in fact. It's an opportunity.

And you need dry powder on hand to invest opportunistically?
Larry: Exactly. I do think that GoodHaven 2.0 is a very interesting place for people looking to invest to consider. Think about it. We are experienced portfolio managers; we have a track record that shows how we've performed through times good and not-so-good, and a modest — but healthy — amount of assets under management. The portfolio isn't so large that it is cumbersome. Potential investors can look and see how this firm has persevered through imperfect moments.

You're not biased or anything, are you?
Larry: As I said, GoodHaven 2.0 is *not* an academic exercise for me or my family. We're heavily invested. I think it's a great. I mean, I don't know what I would say if I didn't think that — if I just would say nothing. But I am pleased by our returns and by inflows picking up materially, as they started doing in fiscal 2023.

You're not averse to marketing, either —
Larry: That's not my great calling. I'm apt to shrug and tell people, "What you see is what you get." But that's just me. Another part of my personality. Lately, when on occasion I've run into someone who has some money with us at some social event, what I've tended to hear are compliments. "Results are good." Then, more often or not, they have usually asked, "So, what *are* you thinking?"

So you spill all your portfolio secrets?
Larry: Scarcely. I'm like, "Well, did you read the last letter?" And they say, "Yes, I read the letter. But what are you *really* thinking?"

At that point, I'm like, "I don't know how to break it to you, but *that is* what I'm *really* thinking. I add, "You can come hang out in the office all day or come to my home when I'm there, but you're not going to hear anything different. When we wrote the last letter, that is what we were thinking; what we *are* thinking. There is no subtext. That's why we peel the onion on what we're doing in our letters to shareholders and clients to the extent necessary to share our investment thinking — without giving away things that are helpful to paying clients or shareholders." And if what we've written doesn't awe or impress you, well, that's okay with me, too.

What I'm hearing is that main thing you've changed at GoodHaven has nothing to do with value principles, then. It was concentrating the portfolio in quality companies?
Larry: I think of the GoodHaven 2.0. reorganization as more of refocus on a few things that we want to do very well, rather than any sort of big change in our fundamental investment process. And those few things include, yes, concentrated holdings. But also making sure those holdings have above-market growth prospects and buying them at below-market valuations.

You're embracing the late Charlie Munger's insight about a value strategy encompassing paying up a bit for high-quality growth, if it's temporarily "on sale?"
Larry: Look, there's nothing inconsistent with value investing principles in owning high-quality, high-return-on-equity businesses that have good growth rates. I mean, is there anybody who doesn't want to own a company of better quality as far as internal returns and growth metrics? *You just don't want to pay up for it.*

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Exactly.

Larry: Is there anybody that says, "Oh, no, I don't want to own something that's growing and earns a better return on equity, a better return on invested capital, or has a better-protected franchise?" I mean, I rather doubt it. At least, I've never met anyone who says he would rather own a structurally challenged, poorly managed, leveraged, stupid company. Of course not.

Well, there *is* a frisson of suspense in owning something tottering on the brink between bankruptcy and redemption. Turnaround investing is very much a thing.

Larry: Too true. But the magic in value investing, if there is any, is in finding the high-quality businesses that you want to own — and buying when you can *at truly attractive valuations* that offer a true "margin of safety" from our purchase price — only when we are confident we understand roughly what the business/industry will look like at least three-five years down the road and assuming we are comfortable with the management's capabilities. And by the way, the other key aspect of that investing strategy lies in remembering just how special it is to actually find companies that have those attributes, that have good long-term growth characteristics, that have high returns, trading at attractive valuations. So, once we own the better-quality companies, perhaps because we've discovered them a bit before the crowd, then let's stick with them. For as long as their high-quality long-term growth characteristics are sustained.

Easier said than done.

Larry: True, but finding an occasional undervalued great company that can compound for a long time is hard enough. Too many investors fumble when it comes to holding onto those jewels and achieving the long-term compound returns those businesses themselves deliver. Look at a long-term chart of any stock with great multi-decade returns — and don't fail to notice how many recessions, macro issues, temporary business missteps occurred along the way. All of those, inevitably, pushed their shareholders' buttons, spawning many misbegotten urges to "reallocate" prematurely into slightly cheaper stocks, along the way. We don't want to be shaken out by either the market's manic or depressive episodes. Let's remember that the idea is to water the flowers and cut the weeds, not water the weeds and cut the flowers, as Mr. Peter Lynch wisely put it many years ago.

Peter really knew how to grow flowers at industrial scale. One of the best, ever. But does that effectively mean you'll never sell one of your "jewels."

Larry: Of course not. Extreme overvaluation can make anything a bad investment for a while — longer than it's prudent, for even long-term oriented investors to stick around. That's why our research process is continual. Never once and done. Consider that none-other-than Microsoft roughly quadrupled its earnings from the peak in the internet mania in 1999 to 2013, yet the stock retreated 30% during that long tech bear market — shrinking its P/E from 70 times to single digits, 9 times.

It briefly became a value "buy" when no one would touch it, in the market's own perverse way.

Larry: Indeed. The other nuance of value investing that we've brought into sharper focus in GoodHaven 2.0 is that, actually, business execution can have even more to do with long-term value creation than a slightly cheaper acquisition price. Take, for instance, RH (the old Restoration Hardware) and Ethan Allen (ETH). They're essentially in the same business sector, but RH shares (even after a slide in the last few years) have trounced the performance of old-line Ethan Allen, ever since RH's IPO back in 2012. While ETH has seemingly looked perennially "cheap" along the way, investors can't forget that capitalism is ruthless and business moats and competitive advantages are harder to maintain today than ever. Customer habits can change with the next TikTok.

Which, by the way, is why the flip side of our concentration on finding quality long-term growth for the portfolio is doing everything we can to avoid populating it with what I refer to — you know I'm just a kid from Rutgers — as the plain old "stuff in the middle" that used to fill our portfolio in the O.G. GoodHaven.

I wouldn't say "just," Larry. You know I lived in Jersey for 35 years, raised my kids there — though they didn't go to Rutgers. Anyway, can you please be more specific about what "stuff" you're avoiding?

Larry: Sure. "Stuff in the middle" to me means businesses that potentially are structurally challenged. It may be that we could acquire the stock at a price that is low in relation to current earnings. But the company's management is not that great. Or maybe there's considerable leverage on the balance sheet, probably too much of it to be sustainable long term.

We are trying hard not to buy those situations. Things where the probabilities favor things going wrong, instead of right, over the long haul, let's try not to own. That's tough to do. It requires more discipline, but we want to just stick to the better-qual-

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ity holdings. And resist the temptation to be shaken out by ominous extraneous events, either macro or in our businesses.

There's never a shortage of scarry what ifs out there — and certainly more in today's world than most investors have ever experienced.

Larry: Okay, that brings up another nuance we've refocused on. Being a value investor does *not* necessarily mean that you have a draconian and negative view of future market, economic and geopolitical conditions. It also does *not* mean you have to have a dogmatic opinion about every macroeconomic aspect of life.

Value investing is about a margin of safety derived from your purchase price; you must invest with a suitable "margin of safety", avoid speculation. All market decisions should be price-dependent. Value investing is about being a long-term oriented, fundamental investor. It's about thinking about stocks as pieces of businesses, and it's about adopting the perspective that the market is there *to serve you, not to guide you*. And again, it doesn't mean you have to have a negative, draconian view of the world. Being dogmatic isn't a great fit in a business where you have to continually be open to new information that might undermine your positions. It's not a great approach to investing if you're trying to compound wealth over time.

In sum, then —

Larry: We're just trying to find a handful of securities — where we think we have a view of their future prospects that is somewhat differentiated from the market crowd's. We're looking for good businesses run by solid management teams with modest amounts of leverage — and we're trying to buy them at attractive prices. Then, when things are evolving as we expected and the market eventually starts reflecting the value we foresaw, we're trying to not to be in any rush to sell them, even if they become close to fairly valued — assuming the fundamentals that attracted us in the first place are only getting better with time.

As I glance at your latest portfolio, I see a few names you were talking about 12 years ago, but not a lot —

Larry: No, some are still there, but a bunch are not — including a few that *should* still be there. Selling them was a huge mistake. But life is about learning, moving on and just trying to get better at everything every day. As I said at the outset, I think it is fun — the challenge of continually trying to hone and improve our thinking and decision-making. My view is that those sorts of soft skills are more important than ever in our part of the financial industry. With news getting disseminated instantaneously, everybody is working with the same information.

Informational advantage is a relic of our youth — There's no information edge to be gained anymore.

Larry: We remember when things like fresh data and speedy access, even better models, could provide an edge, because we're both "seasoned." But that no longer exists; everyone has it.

As far as I can tell, that only makes informed insight and perspective more valuable.

Larry: Yes, soft skills are where you can still potentially have an advantage. In decision-making, for instance, or in reading the tea leaves. Two, you can gain an advantage by having a long-term horizon — long enough to benefit from the "miracle" of compounding returns — when almost everybody else has very short-term horizon. Three, you can always gain an advantage as an investor by studying and understanding where an industry or business might be headed, especially if that might not be obvious to everybody else. An experienced investment analyst will see things that look a little bit like a movie he has seen before. That realization can provide insights into a company or industry. And of course, patience is a huge advantage to a value investor.

So you still spend actual time doing original research into businesses, even though so much of the investment world only seems to care what index a particular security is in?

Larry: Absolutely. It's mostly what we do. And I'm not sure you're correct about stocks being universally relegated to trading card status. I have a lot of wonderful friends in the business who I assume are mostly still as engaged in securities analysis as I am. I could be wrong, but I don't think so. Then again, I suspect we are all pretty aware that, as long-term, value-oriented people, we are participating in what in essence is a bit of a parimutuel system.

How so?

Larry: Value investors — all of us long-term oriented, value-oriented folks who probably spent a little too much time at the racetrack as kids (instead of studying for our trig exams) are waking up every day looking for a three-to-two horse that's going off at twelve-to-one. Sure, sometimes you find one, but more often, not. So the trick is having lots of patience while looking to find differentiated value.

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It used to be, I think it was very fair to say, that stock prices moved around a lot more than business values move around. I think that's still true, by and large, but there's more price volatility at times in the markets than ever before. Business values also seem more prone to fluctuating than ever before. Competitive advantages in many businesses are more ephemeral than ever. The level of real, underlying competition out there among businesses has really ratcheted up; any advantages gained can be easily lost.

How does that impact your research?
Larry: We find ourselves constantly thinking about industries; how are they evolving? How is the competitive position of our companies changing? Are they getting stronger? Are they getting weaker? By how much? It is crucial for us to keep on top of this stuff, and, for me at least, they are fun puzzles to solve. No matter how much research we do, we're never going to find all the pieces, so this process requires some judgment and probabilistic thinking. These aren't just binary problems.

Isn't that where the margin of safety comes in?
Larry: Sure, if I'm making a decision amid a degree of uncertainty (what investor isn't?), having a margin of safety means that, given the price I am paying, I have some downside protection, which is wonderful.

Clearly, you haven't acquired a crystal ball in the last few years — that's not what sparked the turnaround at GoodHaven.
Larry: Nor have we discovered a unicorn. It's a lot more prosaic, but we have just refocused on what is important — and knowable about the businesses and industries we invest in — and not waste a lot of time pondering unknowables that we have no control over anyway. It's not that I dismiss the potential importance of macro developments to the portfolio. We're certainly aware of risks all around us. But we recognize that I don't have that skill set. We don't have an edge in translating macro events into portfolio impacts. By the way, macro events by definition are going to impact pretty much everyone's portfolios. Deficits and inflation and political upheavals, the list goes on.

Of course, when markets are on the high side of normal, a value investor *should* probably find it harder to find things to do. It's most important at that juncture to maintain your investment discipline. Conversely, when there's blood in the Street, you should probably find it easier to find worthwhile things to do — and get more aggressive.

Most of the time, it's not so black and white. So you just treat it as background noise?
Larry: What I default to, most of the time, is asking myself, are any of the plethora of macro events potentially on the horizon, *existential* threats to the market? I mean, we've both seen periods of true existential crisis, whether it was the Great Financial Crisis, or that terrible period early in the COVID pandemic when the entire economy was shutting down for — no one knew how long. With some perspective, today's macro environment is no picnic, but it certainly doesn't compare.

And since we're *not* in an existential crisis — what we should be doing at GoodHaven 2.0 is continuing to turn over rocks, looking for good, high-growth long-term compounders at attractive valuations — being sensible and conservative about what we think our companies can do if the economy continues to muddle along, and buying them only with a real margin of safety.

Can you put some numbers on that scaffolding?
Larry: We found that if we just are roughly right about the future outlooks for our companies — and we buy them only at attractive prices, while running the portfolios without any leverage, we usually have some cash on hand for opportunistic buys — and that's when good things happen. Conversely, if we get our analysis *really* wrong, well, shame on us.

But what's close enough?
Larry: If you can get right the range of earnings estimates three to five years out, for something you're buying, I'd say that you are roughly right. Assuming you're working with a real margin of safety. Now, if there's a real market wipeout in the meantime, you could temporarily get hurt, even if your analysis proves correct. But you're not likely to do poorly with that investment *over the long haul*.

Isn't there some Buffett quote to the effect that he wants to be able to sleep at nights while holding his portfolio — even if some extreme exogenous event would shut down the markets for a decade?
Larry: Something like that, I think. But the reality for most of us mere mortals is that every investor is impacted to some degree by day-to-day portfolio movements. I have this funny idea that if you asked the spouses or partners of long-term investors who staunchly insist they're utterly unaffected by daily portfolio fluctuations if they can tell, just by their partners' mood, how well or poorly their portfolios

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did that day. My bet is that they would turn out to have a pretty good finger on that pulse.

The moral of that story is don't marry a portfolio manager, unless you like emotional roller coasters!

Larry: I don't claim to be anything but fully human in my susceptibility to taking that ride. All the more reason for us, then, to refocus GoodHaven on the pursuit of *long-term* returns. And the good news is our effort is showing up in our portfolio returns.

Let's turn to what's in your 2.0 portfolio, maybe starting with something like Builders FirstSource, which clearly withstood your portfolio pruning, since I've seen it in your statements for years —

Larry: Sure. It is certainly true that Builders FirstSource (BLDR) is a holding that we've been lucky enough to watch blossom in our portfolio for years now. But I still tend to think about it as a company we stumbled upon and ended up buying at the beginning of 2017 — in essence, because we recognized that Builders FirstSource was the dominant building product supply company in a consolidating industry — and we'd seen that movie before — learning that those situations can work out very well for the owners of the dominant players.

Now, one of the first things I like to ask myself when researching a potential holding is, do I have a reasonably strong opinion about what this business, this company and industry will look like in three to five years? In the case of Builders, because I had seen other consolidation stories, I quickly recognized it as the dominant company in a new industry consolidation movie. So I did some digging and my research soon told me that BLDR was unlikely to get disintermediated by technological change. To the contrary, I saw that technology trends were actually working in favor of this dominant player in its space.

You're saying it was an easy decision —

Larry: In part, only because of my experience in other consolidating industry situations — but mostly because of something I learned from the late Mr. Munger. Besides being a brilliant investor, business person and philanthropist, the gentleman was a great teacher to anyone who was paying attention for the last bunch of decades. He coined the term Lollapalooza effect to describe what happens when many different attitudes, desires and events converge, creating an especially strong tailwind that drives people (or companies) in the same direction.

And you connected that to BLDR?

Larry: Yes, I saw a number of forces coming together at BLDR to create a Lollapalooza of a tailwind for the business. There was the industry consolidation, as I said, but also a strong management team. You had a company that was leveraged at that point, but was striving to become less leveraged, and you had the potential tailwind of an under-built single-family housing market. Additionally, you even had the customers of Builders First Source — the large homebuilders — themselves trying to improve their returns on equity capital — and potentially doing that by having their key vendors (read: BLDR, among others) do more of the work, so to speak — in ways that would likely bolster BLDR's growth.

To top it off, BLDR was a very cheap stock when we stumbled upon it back then. We were quite fortunate.

I wouldn't argue with that —

Larry: I don't. Our returns on BLDR, since we started buying it way back in 2017, are up about tenfold — and the company's earnings have also multiplied by roughly tenfold. It is one of those 10-baggers like Peter Lynch famously found to propel his Magellan Fund's performance in the 1970s and '80s.

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But I don't want to leave you with the impression that Builders FirstSource was always smooth sailing for us as investors. As the great, extremely talented and highly philosophical Mike Tyson is quoted as saying, "Everybody has a plan until they get punched in the mouth."

Are you daring to complain that you got beat up a bit while holding a stock that, in pretty short order, became a 10-bagger?

Larry: Not complaining, but explaining that the lived experience is virtually never as uneventful as it superficially appears in retrospect. Builders FirstSource is a 10-bagger for us, yes. But if you look at various segments of the time since we bought our first shares — as I did recently to prepare a little speech I was giving — you can see it wasn't all sweet dreams [see chart below]. Pick out the stretch between the end of 2019 to March of 2020 on a chart and you'll see the that the stock dropped by 50%.

Right when you were in the thick of transitioning to GoodHaven 2.0. amid COVID and you stuck with it —

Larry: Well, we did. But it wasn't the first time that had happened. If you pick out the period from the beginning of 2018 till the end of 2018, I think the stock was cut in half before rebounding. More recently, if you pick out the first half of June of 2022, the stock swooned around 30%. Now, it really took off last year and into this year, but those progressions have not exactly been straight up, either.

It *is* in the cyclical housing industry, which has been dealing with fairly hostile economic conditions.

Larry: It is. But my point is that to be long-term-oriented and patient enough to collect the compounded returns that a truly great business promises does require sitting tight through some periods in which *the stock price* of the company and — especially if it's in a cyclical industry — the business itself are going to take some beatings. Sure, if you're right that it's a long-term compound grower, that growth will resume. But as the Mike Tyson quote implies, the interlude on the downside isn't easy to endure. As I told the little group I was speaking to, I don't remember anybody calling me during any of those painful retreats and saying, "Hey, Larry, you're doing a great job. I'm not at all worried about that big position down 40%. Love you. Can I buy you lunch?"

Seriously? If you ever do get a call like that, be very, very worried!

Larry: Actually, the credit for creating that 10-bagger, that compounding grower really goes to Paul Levy, the chairman of the board, its former CEO Chad Crow, Dave Flitman ran the show for a while after Crow, and also to current-CEO Dave Rush. I think it's also important to credit CFO Peter Jackson, who has been an enormously positive influence on the company. Since he became CFO, quite a while ago now, the company has become a better business with higher margins. It has engineered one of the best share buybacks I've seen in quite some time. They've bought back about 42% of the outstanding shares since the summer of 2021, at an average cost in the $70.27 a share. For the remaining shareholders, that's wonderful. Of course, there's always something to worry about, but we still think the company has a bright future.

Even near the top of the stock's dizzying climb?

Larry: Yes, I think the stock is actually quite attractive today, even after we have enjoyed a wonderful compound in return. We thank all of those people I mentioned and we'll always strive to find an occasional other stock pick like it.

Your point about most people being so taken by the upside when they look at a long-term chart of a 10-bagger — or an index — is quite well-taken. In retrospect, the thrill of winning really tends to make folks disregard the reality of all the little, and even the big, squiggles along the way. Nobody seems to see the dips.

Larry: Thanks, I just think it's important to be prepared for market reversals. They've been known to last uncomfortably long — but that's when buying growing high-quality companies with appropriate margins of safety really pays off. Even during a bear market in stocks, quality growth *businesses* should continue to grow — even cyclicals ones. Maybe not every quarter, but over the full cycle. And the stock prices eventually have a way of catching up — and then some. But to reap long-term compounded growth returns, you have to be financially and, importantly, emotionally prepared to weather that interim downside.

I was joking about our clients not calling to compliment me earlier, but seriously we are very lucky that so many stuck with us and that we weren't deluged with complaints during our stretches of underperformance. We actually felt pretty good that we had managed to communicate to our shareholder base our expectation that GoodHaven's investment

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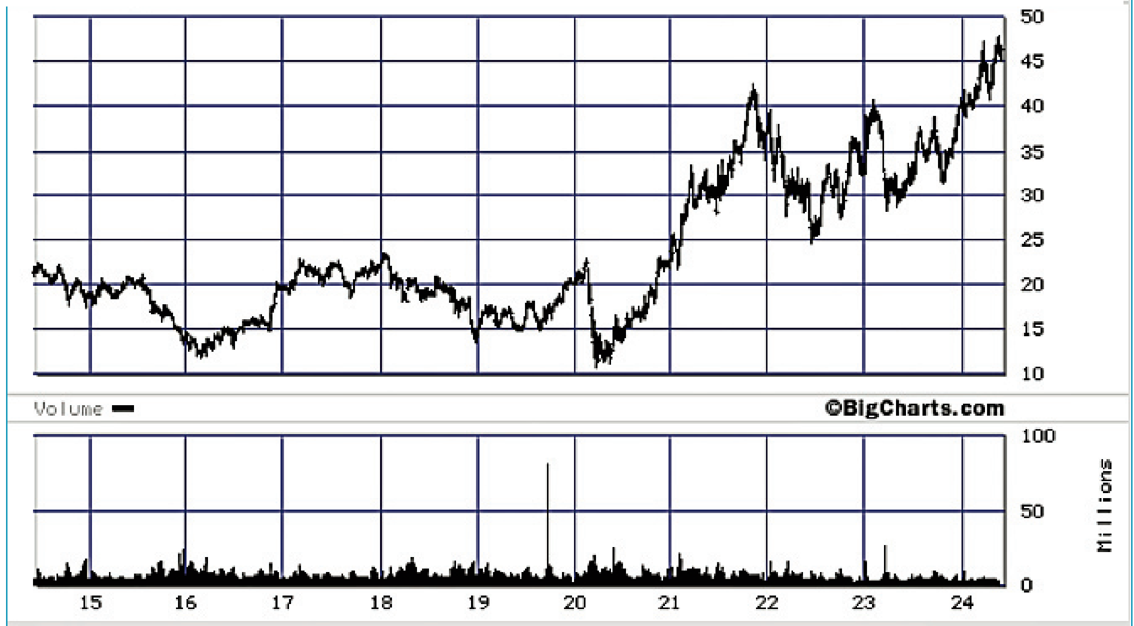
style will tend to produce portfolio returns that lag the broad market indexes over annual periods at certain times, especially when a bull market builds a head of steam. We can't help that, so we concentrate instead on making sure that the business trajectories of our holdings continuously head in the right direction for the long term. That value continues to be created under the hood. Watching that evolve in companies and managements is a very important part of our work. Butit is something the market often disengages with.



We all know Mr. Market is certifiable at times; out of touch with economic realities.
Larry: I tell you, it's not getting any easier to find the kind of companies we want, where we can see clearly its growth trajectory for next three-to-five years. It's even harder to find ones with competitive advantages that look to be strengthening. That was one of the wonderful things we saw early on at BLDR. And it is rare in this dog-eat-dog business climate. But it's a case where their key customers were actually happy to see one of their big distributors expanding and growing; providing new services to them. It is still getting better, and that's even more rare.

Have I mentioned that we've learned our lesson about pruning a Lollapalooza position like BLDR too much, or too early. We're going to be very patient. That old Wall Street saw, "You can't go broke taking a profit," is actually very poor advice. Especially if you run a portfolio that pays taxes. Tax efficiency matters very much in long-term returns and selling a potential lollapalooza too soon cuts you off from the most powerful force in finance, compounding.

Just glancing at your portfolio, I also see big stakes in names like Alphabet (GOOG), Jefferies (JEF) and, of course, Berkshire Hathaway (BRK.A). I'm guessing they're also in your lollapalooza basket.
Larry: Absolutely. They're rare businesses and prized holdings. Take Jefferies. What a tough business. What CEO Rich Handler and Brian Friedman, President, have done at Jefferies over time — to bring them from where they were competitively a decade ago to today — it's dramatic. They have moved up the banking tables, gained enormous amounts of market share in all the areas of finance they focus on. And there are fewer shares outstanding. I think you will continue to see Jefferies' average return on equity go to higher highs *and* higher lows at the different points in the cycle. They have added a lot of bankers, and I expect they will continue to gain market share in investment banking. Now, it's still operating in a cyclical industry and it's a cyclical business. But you can generate rich long-term compounded returns for owners when you sit at the top of the industry.

They've left rivals in the dust, certainly. What's their secret?
Larry: Over the last couple of decades a lot of brokerage businesses went in different directions, and a lot of those have generated only mediocre returns, at best. But Jefferies has some unusual characteristics that have set it apart. First, at Jefferies, you have *people who are owners* sitting in the C suite. You have a partnership culture, a flat management structure and they reward entrepreneurial effort.

Meanwhile, Jefferies had a very low stock price for a while, which Rich Handler used very smartly, benefiting all the remaining owners by implementing share buybacks that took a hefty percentage of the shares that had been outstanding out of the market. And forward they go.

I really can't say enough about Jefferies' leadership.

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To lead that company takes a fascinating mix of paranoia and thinking big, which both Rich and Brian have. They have to worry about the day-to-day and yet stay focused on where they're taking the firm, long-term. They need both facets, because one without the other won't yield good long-term results. It helps a lot, I think, that Rich is a very material owner and Brian is also an owner. They're not thinking about risks just because that's a catchy tagline. There's a lot of their own money on the line — and they're very astute at building the parts of the business generating the best returns.

Of course, Jefferies also has the great good fortune of having, as Chairman and largest shareholder, Joe Steinberg, the Leucadia National founder. In fact, Rich and Brian credit their 45-year business and mentorship relationship with Joe and Leucadia as largely responsible for designing and building Jefferies as it exists today. A great company.

But is the stock something you'd buy at the today's market levels?

Larry: Yes, I think it is. If I didn't think we were going to get an attractive return from where it is, I would do something about it. It's attractive here. They have proven their strategy for gaining market share and, over time, increasing their average return on equity. In fact, they deserve a lot of credit for showing that it can be done. So they deserve a better valuation than they have had in the past.

Okay. Let's focus on something in your portfolio everyone hasn't heard about.

Larry: That's easy. We own a fascinating little company, Vitesse Energy (VTS), which actually came out of Jefferies.

What sets it apart from myriad other small outfits working the energy patch?

Larry: I have to reiterate, what makes building GoodHaven 2.0's portfolio fun for me is that in addition to the household names, we can own some companies that frankly are a lot more obscure. As I said, I like the adventure of turning over rocks. And the upshot is that we end up holding, on average, a mid-capish portfolio.

Vitesse is one of our rocks. The company was spun out of Jefferies in early 2023, after being wholly owned by Jefferies for quite a while — and we had observed during those years that Vitesse is really good at what they do. Which is *not* operating fossil fuel facilities. It is actually kind of fun to read how they describe themselves. "Vitesse is focused on returning capital to stockholders through owning financial interests, as a non-operator, in oil and gas wells drilled by leading U.S. operators." That's the entire business plan.

It's succinct. Quite an elevator pitch.

Larry: One sentence. There are people who would take that and create a 50-page PowerPoint. But that was the entire press release.

I do admire economy and efficiency. They are an investment outfit?

Larry: Vitesse puts up capital in various transactions to partially fund operators who are developing wells. They acquire economic interests in different wells, *participate* in the ownership — but they're not operators. They've crafted specialized deal terms to supply needed capital to operators under specific circumstances, and that's what they've been doing for a long time.

So Vitesse provides a kind of private credit or equity to energy producers?

Larry: Well, they're capital providers. Very often, the big operators want to bring in others to provide some of the capital which will be used to drill wells. Share some of

VTS Vitesse Energy Daily 5/31/2024

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the risk. Vitesse supplies some of that capital. There are other companies active in the arena, but we think Vitesse is extremely good at what they do. Their financial arrangements with operators are always specifically crafted for a particular deal, which is where their long experience in many, many facets of the drilling business provide Vitesse with a real edge in drawing up the terms.

I can see they're probably savvy deal-makers, but is that sort of knowhow reproducible in a company over the long haul?

Larry: If anyone can do it, the guys at Vitesse can. Again, they're not day-to-day operators in the energy patch. They're providing capital to operators on customized terms, and participating in the returns on those wells. We've gotten to know Vitesse's management over time. Bob Gerrity, the Chairman and CEO, founded Vitesse alongside Brian Cree, the President. These are guys with dirt under their fingernails. And that is *not* in any way a slight. It is the highest compliment I can pay a C-suite executive. Yes, they are not drill operators. But they literally built Vitesse from the ground up. As I recall the story, Bob's wife was also involved as they started pouring over and studying maps of the Bakken region that were spread out over the Gerrity's kitchen table. I think, if you took a map of the Bakken and pointed to a random dirt road, you could ask Bob or Brian, "What's around the corner from this rock?" And they could tell you.

They've developed a real skill set there. Not just about the geology and geography, but a deep understanding of which operators to partner with and which to not. How to craft the financial terms. That's what we want, good business people, thinking deeply about returns on your capital. And they are all about paying out dividends. At the current stock price the dividend provides about an 8.5% yield. They just raised it. Of course their revenues and cash flow are subject to the vagaries of the energy markets and drilling costs, but the stock price in relation to what forward earnings should look like appears very modest to us. And we think they've got a lot of opportunities to continue doing what they've done very well — astutely craft more transactions to acquire non-operating interests, continue to raise the dividend over time. They usually hedge a reasonable percentage of their share of the production, keep leverage modest, and just keep on going.

Why am I not surprised to find both Brian Cree and Joe Steinberg on Vitesse's board?

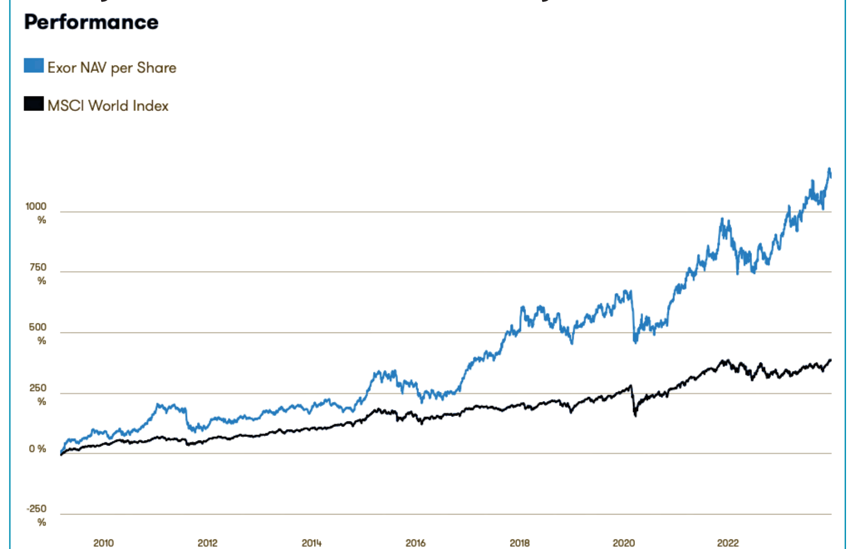
Larry: As I said, it was run very well for a long time within Jefferies, and it has transitioned to full public ownership very well. I think Jefferies' chairman Joe Steinberg, owns 9% of Vitesse, to Bob Gerrity's 5%. And Brian Friedman, Jefferies CEO, owns 4%. There was actually a little insider buying after Vitesse came public — at market prices from the mid- to high-teens and continuing up to just a bit below current quotes. The sponsorship is solid. These are owners who treat shareholders well. The business plan is unique, and it's not a huge company. They're owners. They're good business folks. They treat their shareholders well. The company's market cap is under $1 billion, but they're able to act opportunistically.

I will mention, too, that with the mergers and consolidations going on in the industry, the 800-pound gorillas sometimes toss away some interesting "crumbs" that aren't really crumbs at all. I'm willing to trust that Bob and Brian can recognize those kinds of interesting opportunities.

No wonder you're pounding the table for Vitesse.

Larry: Vitesse is only getting started and its potential opportunity could be very rewarding.

Okay, I think I only saw only one non-U.S.



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company in your portfolio. Do you want to talk about EXOR, NV (Euronext Amsterdam - EXO NA)?

LARRY: Sure, but we do also own a little company in Canada, which we love. TerraVest Industries, which makes oil and gas field equipment.

So talk about both. Let's start with EXOR.

LARRY: As I guess you know, EXOR is the Agnelli family's holding company, so it has in large stakes in Stellantis, which I find I still have to remind people is the automaker that emerged from the merger of Fiat Chrysler and Peugeot. And it also, of course, owns a big chunk of Ferrari. It had been in the reinsurance business, which they got out of. But I happen to think CEO John Elkann's letter to shareholders for this past year was particularly good. They have a wonderful track record of driving net asset value forward. They are also quite aware of the current stock price's discount from that net asset value — which I think they will try to take advantage of, for shareholders.

But that's not their primary obsession, in my opinion. EXOR's management are obsessed with astutely continuing to grow the conglomerate's underlying value. They already have, obviously, a couple of big ownership stakes in prime assets, just with Stellantis and Ferrari. Ferrari is undisputedly a one-of-a-kind.

So are their cars, almost. What color is your Ferrarri?

LARRY: I'm not that lucky. They are *amazing*, but there are a lot of luxury goods I don't have and can live without. Here's a statistic for you, though. I think 40% of Ferrari owners actually own two of the things, which is fascinating.

That's serious money.

LARRY: What can I say? In Mr. Elkann, EXOR has a brilliant capital allocator. They have been repurchasing shares lately to take advantage of that discount to NAV I mentioned. The track record is outstanding and Elkann has now made clear the areas they're going to be focusing on with the capital they freed up from the reinsurance business. They've focused on certain areas in health care, they are doing some more investing in the luxury segment and nurturing along their historic investments in appropriate ways. Also doing a bit in the venture capital world.

When did you establish your EXOR stake?

LARRY: It is one of the companies we were able acquire a stake in around the bottom of the COVID market decline. We were able to use that moment, in the midst of all the uncertainty that enormous human tragedy created, to use a lot of our cash to essentially upgrade our GoodHaven portfolio to an extent into better-quality, faster-growing, less-levered companies that (momentarily) became available at some very attractive distressed prices. EXOR is one of the positions we initially purchased then, though we've been able to add to it some recently. (Berkshire, KKR and Bank of America were new or existing positions that we bulked up meaningfully during that existential moment.)

Anyway, EXOR is just a fascinating mix of different, unique assets run by some very talented people who are crystal clear about their investment goals. So we've been happy to opportunistically acquire that stock when it's periodically been available at a very attractive price versus the underlying value — that they continue to drive upward.

Now, what about TerraVest Industries?

LARRY: We have a lot of interesting holdings in GoodHaven 2.0, some of which we've touched upon, today. TerraVest is another. Though we have owned the position for a while, the business gets more interesting every day. This is a small company up in Canada, listed on the TSE as TVK, with a market cap of only around C$1.5 billion.

What sets it apart from the bunch of other little Canadian E&P companies?

LARRY: That's not their business. Based in central Alberta, about 65 miles out of Edmonton, TerraVest is a niche player, a manufacturer of home heating products — propane, natural gas liquids — and the transport vehicles, storage vessels, energy processing equipment, and fiberglass storage tanks — all the sundry stuff needed to get those home heating fuels to homes and actually heat them. The management team is unusually young and talented and the board and majority owners are really adept at buying adjacent companies within the company's operating areas. They have specialized knowledge that is available to investors at very attractive prices in the stock.

I assume TerraVest's financials reflect that?

LARRY: Oh yes. They show the business is very good at generating a lot of free cash flow and that the management is good at using it to the benefit of the owners. They continue to look for attractive assets to buy to expand the business. They have bought back stock when it was undervalued — at very attractive prices. And the stock is *still* attractive, in our view. They recently did a secondary of-

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fering, but those proceeds were targeted to reducing leverage a bit — a move I applaud despite the little bit of dilution that will result.

What makes you call the management unusually talented?

Larry: Most obviously their youth. Charles Pellerin, the Principal Partner and the President of one of the largest independent accounting firms in Quebec — who also has extensive other business interests in Canada — is only in his 40s, but is a strong force behind TerraVest. He serves as its Executive Chairman — and is the owner, with his family, of 18% TVK. Meanwhile, Dustin Haw, TerraVest's very talented President, is still in his late 30s.

In the process of doing their recent secondary, the pair came out from under their rock a little bit to talk to some of the people in the Canadian investment community for the first time. We had found the company earlier only because someone pointed out the rock they were hiding under to us. We were just struck that here is a talented team that knows how to operate, how to make deals and how to acquire pretty predictable businesses at attractive valuations to grow. They know how to create dominant niches where they have businesses already; they take advantage of synergies. Just since November, I think, they've made three small acquisitions, all at very good prices. Very astute. It's still small; the world can be theirs; they are very much acting as owners and working hard to create value for all of the other owners. We couldn't help but find it fascinating and attractive. So it's fun to be a co-owner and cheer them on from the sidelines. We see a wonderfully long runway ahead for them.

But do you *really* like it, Larry? Just kidding. You said you're reading my book and your description of TerraVest reminds me a bit of the exploits of one of the "Merger Masters" I profiled. Peter McCausland brilliantly used 500-odd mergers, along with organic growth, over 30 years to parlay a prosaic small business into the $5 billion industrial gas behemoth known as Airgas. Then he deftly engineered his company's surprise $10.3 billion takeover by Air Liquide in late 2015 — to save it from a hostile bid that offended McCausland — by grossly undervaluing his company. He and Airgas shareholders ended up hitting the jackpot. That's the last chapter.

Larry: I'll get to it. I skipped right to the Drew Figdor profile when I saw it was there. I know him, so I had to email him right away about that photo.

It does looks a mite youthful *now* — but we published *in 2018*. Drew is another great guy. Everyone profiled is — the women included! But tell me, what's your most under-valued holding, at the moment?

Larry: I can't play favorites any more than you can! And the reality is that we have a lot of holdings that are quite underrated by the market. The last time we calculated portfolio statistics for the GooodHaven Fund, at the end of March, the P/E ratio was in the mid-teens versus the market's P/E in the low 20s. But our concentrated portfolio companies' growth rate stood at 16%, calculated on a five-year annual basis, while the broad market index grew at 13% and change over the comparable span.

So I am very comfortable saying we own a lot of stocks that seem attractively priced, despite the market itself certainly being on the high side of normal. Our portfolio not only is materially cheaper and has better growth characteristics than the market, we feel we have a very good grasp of where our exclusively high-quality businesses are headed — and how they'll get there.

Not a claim anyone can make for the S&P 500 at these levels! Thanks much, Larry.

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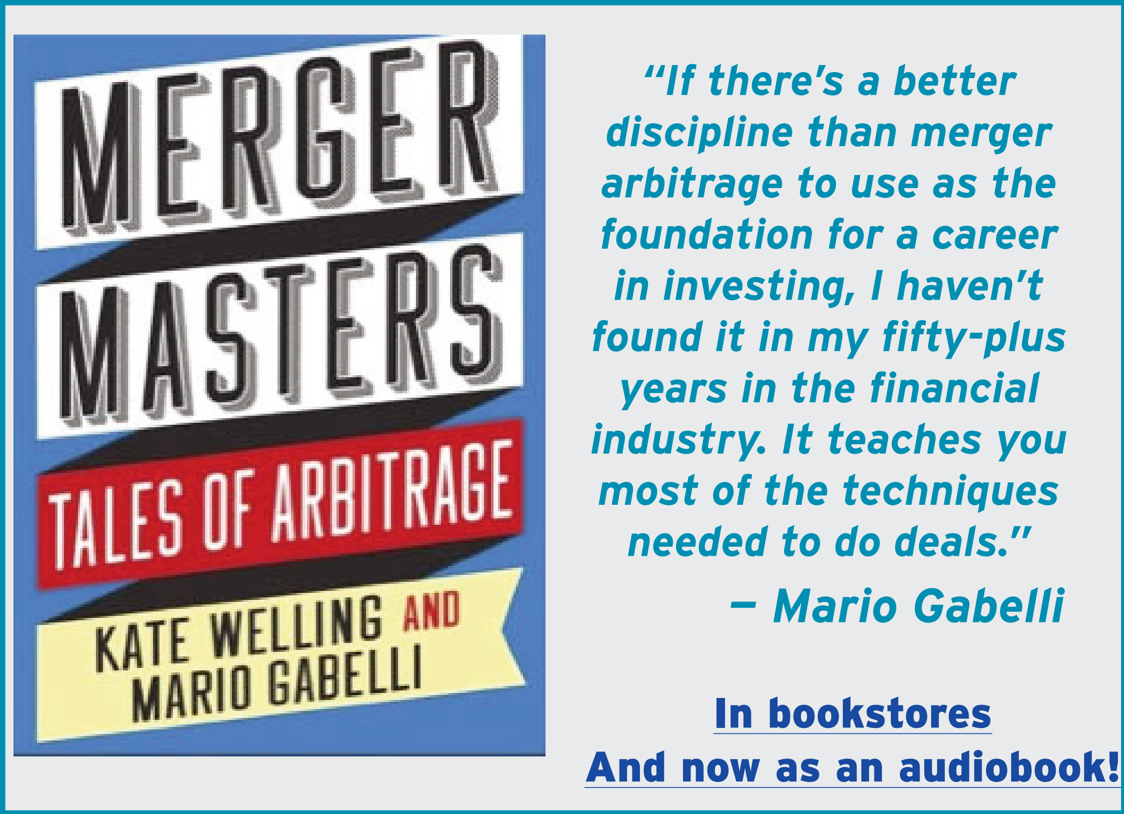

Welling on Wall St. Interviewee disclosure: Larry Pitkowsky co-founded and is the Managing Partner and Portfolio Manager of GoodHaven Capital Management LLC, which is an investment adviser registered with the SEC and operating out of Millburn, NJ. GoodHaven provides investment management services to individuals, institutions, and other clients, including the GoodHaven Mutual Fund, an affiliated public, no-load, mutual fund (GOODX). Larry is also the Chairman of the Board and President of the GoodHaven Funds Trust, which oversees GMF. He has been a Trustee of the fund since 2016.

Prior to founding GoodHaven, Larry was the Managing Member of both LSP Management (from March 2010 to July 2010) and its predecessor, FCM Advisors, LLC (from July 2008 to March 2010), pro viding research consulting services to Fairholme Capital Management, LLC ("Fairholme"), a registered investment adviser. Larry joined Fairholme as an analyst and portfolio manager in 1999 and was a member of the portfolio management team from 2002 through 2007 at The Fairholme Fund, a registered investment company (mutual fund) affiliated with Fairholme. Larry served as a named Portfolio Manager of The Fairholme Fund from January 2002 through March 2006. In addition, Larry was a Vice-President of Fairholme Funds, Inc., the parent company of the Fund, from March 2008 through January 2009. Larry, who was born in 1962, has more than 30 years of experience in securities research and portfolio management across a wide range of companies and industries. He earned a Bachelor of Science Degree in 1986 from Rutgers University.

About GoodHaven Capital Management LLC.
Founded in 2011 but refocused in 2019, GoodHaven believes successful value investing is owning quality businesses run by exceptional leadership that can be purchased at a price significantly below intrinsic value. Its investment philosophy is predicated on three key pillars that GpodHaven believes they can take advantage of to generate attractive long-term returns with a margin of safety that protects clients from permanent loss of capital. First, Fundamental Analysis. The GoodHaven investment team has a diligent and rigorous process for analyzing each investment in the portfolio with an owners' mentality approach. They look for strong normalized earnings and free cash flow with durable competitive advantages. Unlike many advisers, GoodHaven can provide clients with well-informed opinions and judgement across many sectors, including both equity and debt. Second, Patient Investing. GoodHaven invests with a multi-year mindset, allowing it to think like business owners and focus on long-term operational and valuation factors. Their private-equity-like holding period allows them to generate asymmetric returns over time. Third, Concentration. Highly selective, GoodHaven invests only in its highest conviction ideas – confident that its rigorous and accurate investment underwriting process is its best risk management tool. GoodHaven offers separate accounts for insitutions and individuals and a private investment fund, as well as the no-load GoodHaven Fund (GOODX). a mutual fund.

For more information and disclosures on GoodHavenCapital, please visit www.GoodHavenllc.com. For more information on the mutual fund, the GoodHavenFund, please see www.Goodhavenfunds.com

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Current and future holdings are subject to change and risk. Click here for Top 10 holdings.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in mid and smaller capitalization companies, which involve additional risks such as limited liquidity and greater volatility.

Margin of safety is a principle of investing in which an investor only purchases securities when their market price is significantly below their intrinsic value.

Dividend Yield is represented as a percentage and can be calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the current dollar value of one share of stock.

Price/Earnings is a valuation ratio calculated by dividing the current stock price of a company by its earnings per share.

S&P 500 Index is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. Indexes are unmanaged and it is not possible to invest directly in an Index.

As of July 2, 2024 1USD = 1.373 Canadian dollars (CAD).

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GoodHaven Capital Management, LLC
374 Millburn Avenue, Suite 306E
Millburn, NJ 07041
www.goodhavenfunds.com