



2020 Annual performance
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The General Stock Market Picture in 2020

On New Year's Eve 2019, most were ecstatic to leave the year behind. But 2020 trounced 2019 in the suck department. Most faced their first global pandemic. Stocks were extreme. We saw an incredibly bullish January. Then COVID-19 came along and dramatically changed everything. Stocks fell drastically as COVID altered the very fabric of our lives. Tens of millions were infected as over a million died around the world. Millions of jobs were lost. March saw seemingly insurmountable fear and darkness.

But looking back now, we are in a better spot. I am always an optimist. Back then, I bet on several stocks by looking for great deals on outlier stocks. I knew we would recover as we always have.

Now, my view of the general market level is that it is priced above intrinsic value. This view relates to growth stocks. This view, if accurate, carries with it the possibility of a substantial decline in all stock prices, both undervalued and otherwise, in the short term. In any event I think the probability is very slight that current market levels will be thought of as cheap five years from now. Even a full-scale bear market, however, should not hurt the market value of our securities.

If the general market were to return to an undervalued status our capital might be employed exclusively in our current portfolio. Conversely, if the market should go considerably higher our policy will be to reduce our general issues as profits present themselves and increase the cash level of our portfolio.

All of the above is not intended to imply that market analysis is foremost in my mind. Primary attention is given at all times to the detection of substantially undervalued securities.

I think the public is still very bullish on blue-chip stocks and the general economic picture. I make no attempt to forecast either business or the stock market; I still consider the general market to be priced on the high side based on long term investment value.

Our Activities in 2020

The market decline has created greater opportunity among undervalued situations so that, generally, our portfolio is heavier in undervalued situations relative to last year.

During the past year we have taken positions in industries suffering from the pandemic the most: Airlines, Energy, and in Asian securities. Our greatest position in our portfolio, TESLA, has reached around 20%, a size where we may expect an increase in volatility in the coming years. We are confident with our portfolio structure, and believe most parts of our securities are still highly undervalued due to the behavior of the general market. Our policies should lead to superior returns in bull markets and average returns in bear markets. 3 years is a minimum time needed to judge good performance (5 years is better), assuming the period saw both strong and weak markets.



Results for 2020

In 2020, we did substantially better than the general market. we showed a gain of about 189% on year end. This performance emphasizes the importance of luck in the short run, particularly in regard to when funds are available. Because of the availability of funds, large positions were taken. We have never intended to predict the market trend, the dip, or the top, we only focus on finding the best undervalued securities to invest in.

Interpretation of results

To some extent our better than average performance in 2020 was due to the fact that it was a generally great year for most stocks. Our performance, relatively, is likely to be better in a bull market than in a bear market so that deductions made from the above results should be tempered by the fact that it was the type of year when we should have done relatively well. In a year when the general market had a substantial advance I would be well satisfied to match the advance of the Averages.

I can definitely say that our portfolio represents better value at the end of 2020 than it did at the end of 2019. This is due to both generally lower prices and the fact that we have had more time to acquire the more substantially undervalued securities which can only be acquired with patience. Earlier I mentioned our largest position, TESLA, which comprised 10% to 20% of the assets. In time I plan to have this represent 10% of the assets in order to reduce the volatility of our portfolio.

What I can and do promise is that: Our investments will be chosen on the basis of value, not popularity; that we will attempt to bring risk of permanent capital loss to an absolute minimum by obtaining a wide margin of safety in each investment and a diversity of investments.