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VIEWS FROM THE BRICK

DO YOU HAVE THE TIME?

Instant gratification. It seems at times that there's nothing we can do as humans to avoid it. What do we want? We may not know, but we want it now. It seems we may have forgotten that little saying, "*Patience is a virtue.*" Sometimes we get so caught up on what's happening right now that we lose sight of anything past tomorrow. Succumbing to short-termism at times might be unavoidable, but it is often a hindrance. Lets discuss patience for a minute, how much time do you have?

THE NAME OF THE GAME

Being shortsighted seems to have found a breeding ground within the capital markets. When it comes to investment decisions, investors (*speculators?*) have been making this mistake for centuries, and its only grown exponentially over time (*can you feel the irony, or is it just me?*). Getting rich quick has trumped getting rich slowly hand over fist forever. But the investors who have been able to build their wealth and maintain it over time have been able to identify a common ground: *time arbitrage.*

TIME HORIZONS

When you started the process of building your portfolio you should have asked yourself, and your advisor, what is this portfolio for? When will I need this capital again? How long should we be planning this capital to be invested, and how long are we anticipating this investment thesis to pan out? Chances are the answer these questions wasn't "next quarter." And if it was, feel free to stop following along *here.* In today's market, technological advancements have made information instantly delivered to your pocket and the ability to act on your impulse easier than ever. Some would say, advantages that once existed in information and data extraction have been eroded

away. So one of the few advantages that prudent investors have left is *time*. When we maintain a long-term investment mindset throughout our entire investment process (asset allocation all the way through security selection), it forces us to seek the intrinsic value of an opportunity. Not just what the price is going to be tomorrow.

PRICE VS. VALUE

Time arbitrage is taking advantage of these opportunities given a long-term mindset. Something may appear broken on the surface, but thorough analysis could potentially expose an overreaction by the market.

When your discounting period outstretches the typical timeframe most of Wall Street seems to work with, you allow yourself the chance to determine true intrinsic value. The ability to display extreme discipline is what some of the most notable investors in the game have been able to do (Buffet, Graham, Munger, Davis, Miller). Oscar Wilde might have been foreshadowing this phenomenon when he said “Men know the price of everything and the value of nothing.”

QUEEN TO ROOK 5 - CHECKMATE

Part of the long game is allowing the shortsighted investors to present you with opportunities to take advantage of. When an opportunity appears to break down due to disappointing short-term macro or business progress, these short-sighted investors flee the scene. *Think of these players as the pawns.* Let's pretend for a moment one of the most widely covered companies in the S&P 500 posts a 'disappointing' quarter by Wall Street analyst standards. This is a name on which you've formulated a sound, long-term thesis on; coming up with what you feel is the true intrinsic value for the assets in question. Irrational selling ensues, setting up the opportunity for you to build a position strategically. As time goes on, and the pilot fish of Wall Street find a new fad to follow, you're left with you, and an attractive, entry level investment. Assuming your analysis approach is prudent, you now stand to benefit in the long term (*the time period you decided for yourself*), not the horizon the market tried to force on you) thanks to the setup by near-sighted speculators.

I don't know anything about Bobby Fischer's investment habits, but I think he'd agree that no opportunity on the board would have been made possible without losing a few pawns.

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DATA AND REASONING

Conviction, guts and discipline are just a few characteristics an investor must possess in order to effectively play the “long game”. We have a Ben Graham (*the Obi-Wan Kenobi of investing*) quote in our office that says “You are neither right nor wrong because the crowd disagrees with you. You are right because your data and your reasoning are right.” This is something that all time arbitragers need to remember. Not allowing the noise to cloud your sense of judgment is step one to the long-game.

CONCLUSION

Nobody has a crystal ball, so don't think that's what we're talking about here. What we believe investors need to do is exercise patience and *trust the process*. Nobody can see the future, but it isn't impossible to see past tomorrow. We'll look back at fads (whether it's parachute pants or an investment) as a moment of weakness and ask ourselves “What were we thinking?” Which is fine. But you don't want to look at the present day ask yourself “How did I miss this?”

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