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Intelligent Investing in a Changing World

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INTELLIGENT INVESTING, COMPETITIVE ADVANTAGE, AND BUILDING A FIRM, WITH SEAN
STANNARD-STOCKTON

AS PUBLISHED BY MOI GLOBAL

THE MANUAL OF IDEAS

Selected Wisdom and Insights from Across the MOI Global Membership Community

Intelligent Investing, Competitive Advantage, and Building a Firm, with Sean Stannard-Stockton

Shai Dardashti, managing director of MOI Global, recently conducted an exclusive interview with Sean Stannard-Stockton, president and chief investment officer of Ensemble Capital, based in Burlingame, California. The firm, which dates back to 1997, manages the Ensemble Fund (ENSBX) as well as separate accounts.

The following transcript has been edited for space and clarity.

Shai Dardashti, MOI Global: It's a pleasure to introduce Sean to the MOI Global community. Before joining Ensemble Capital, Sean was a member of a private client advisor team working with high net-worth individuals at Scudder. He holds a BA in Economics from the University of California, Davis, the CFA designation, and is a Chartered Advisor in Philanthropy. The May 2016 issue of *The Manual of Ideas* features a conversation with Sean titled "*Buffett-Style Investing in a Mutual Fund and Separate Account Context.*"

Please share with us further detail on your journey to chief investment officer of Ensemble Capital.

Sean Stannard-Stockton: I was the kind of kid who wanted to pick stocks when I was 14 and read all sorts of books on the subject. I started off with terrible books that told you how to get rich quick and finally, over time, settled on books written by a lot of great investors.

I went to Scudder Investments at the end of the dot-com boom, right out of college – first the mutual fund group and then the private client group. In 2002, I joined Curtis Brown and Company, which was a one-person sole proprietorship run by my good friend and business partner Curt Brown. In 2004, Curt and I formed Ensemble Capital Management and built a firm that now manages over \$600 million of assets – private clients, many charitable institutions, and a publicly traded mutual fund.

MOI: Who have been your professional inspirations?

Stannard-Stockton: Because I joined a sole proprietorship early in my career, other than Curt, many of my inspirations are people whose writings I read. Certainly, like many investors, I found Warren Buffett's writings very inspirational – as well as his attitude on life. As I learned more and discovered Charlie Munger's influence on Warren Buffett, and the evolution that Buffett went through from a

traditional deep value, Benjamin Graham investor to more of a Phil Fisher influenced owner of compounders, I found the latter to be more aligned with my own personality.

One thing I've come to as an investor, is recognizing that there are a lot of ways to make money in the market. There are a lot of investment approaches and philosophies that can do very well, but all of them test the investor in one way or another. Therefore, it's important for you to figure out how to align your investment philosophy with your own personality – so that when the investment philosophy inevitably tests you, you're the sort of person who will pass the particular types of tests required to successfully manage your investment strategy.

I'm a pretty optimistic person by outlook and I think a lot of deep value investors, and where Buffett initially came from, tend to be more pessimistic in general. I don't mean that as a criticism – I think many would say that of themselves. They're skeptical individuals and so investing in companies with very discounted valuations aligns with the view that you really don't know what's going to come next – and it might be bad.

As someone who recognizes that I have a generally optimistic outlook, the writings of Phil Fisher and Charlie Munger, and the way they influenced Warren Buffett and I think capitalized on Warren Buffett's own optimistic outlook, really influenced me to follow an investment strategy that focuses on finding really outstanding companies with strong competitive moats which you are justified in being optimistic about their outlooks. Now, of course, that doesn't mean you can get away with not having *any* skepticism or not having a *realistic* outlook – but this trio of investors are certainly very influential for me because of the way their investment philosophy aligns with my personality.

Two other people outside the investment community who are also very influential for me are Nate Silver, a data-journalist who became very famous for his FiveThirtyEight political forecasting blog and Daniel Kahneman, a behavioral psychologist. I think the things that their books made clear to me is that forecasting, which is an integral part of investing – no matter what approach you use, because the value of financial assets are rooted in their future cash flows – both Kahneman and Silver provide very robust frameworks for thinking about forecasting in a way that is about realism and is about knowing what is forecast-able and what is not forecast-able. Both of these persons, through their writings, have done more to educate me as an investor than much of the traditional investment literature.

MOI: “Intelligent investing” might mean different things to different people, how do you define the term?

Stannard-Stockton: This question gets to the heart of what’s intelligent for a given philosophy. For me, Buffett’s phrase that “investing is most intelligent when it’s most business-like” resonates – and that’s the only way we think about it. We think of ourselves as business analysts and not stock market analysts. There are days when the stock market does things that I have no idea why it’s doing what it’s doing, and of course businesses can be challenging as well, but from my perspective, the most intelligent approach to investing is one that’s rooted in understanding companies. Not so much stock market machinations or even the statistical market-based analysis, but more of an understanding of the companies themselves.

Many great investors obviously use this approach, but for me it’s the resounding central aspect of an intelligent approach – to understand that the stock market is nothing more than a mechanism by which you can transact in businesses and your analysis should be focused on the business community and the business environment. The stock market is really just a sideshow. It’s just where you get transactions done.

MOI: You’ve previously said, “We only invest in companies that we think benefit from sustainable competitive advantages that we are in a position to understand.” Are there industries in which you previously felt comfortable investing which are evolving into a “too hard” pile?

Stannard-Stockton: Certainly, all industries go through cycles, and they also go through secular changes and I think one’s view on industries needs to be continually updated. That updating shouldn’t be too rapid. Nate Silver talks about Bayesian analysis, the way in which you should update your forecast based on new information, and Bayesian forecasting suggests that each new incremental piece of information or evidence shouldn’t generally radically change what your prior views were, but that doesn’t mean new evidence should have no influence at all.

Our view on all industries and businesses changes over time. One change it’s undergoing right now that I think is important, especially to a moat-based investor, is the change in the value of brands. Strong brand names have always been seen as a very strong competitive advantage, and they’re at the heart of many of the post-Munger, Buffett-style investments like Coca-Cola. Certainly, brands continue to have power, but we think it’s important to recognize that there are two main categories of brands. One type of brand lowers the consumer’s search costs. These are brands that help consumers make sure that what they’re purchasing is of good quality and of good value when they’re confronted with a wide array of potential purchase options.

Another category of brands are “prestige brands.” They’re brands that communicates to the purchaser, as well as to the purchaser’s circle of peers, something about who that person is. We think that the latter, the prestige brands – such as Ferrari, or Tiffany, and Apple with their smartphone brand – are all brands that continue to have enormous value, and that value is not under any threat whatsoever from the emergence of online shopping, marketplaces like Amazon or social media, or changes in consumer preferences among millennials. “Prestige brands” are very resistant to any sort of technological or cultural changes going on, but “search cost brands” – which are found frequently in the consumer staple sector which has been actually the best performing sector in the stock market for the past fifty years and is the source of many of the ideas that have driven many great investors over time – we think these sorts of brands are under assault because the ability for consumers to find information to lower those search costs have gotten much easier over time.

Today, if you log onto Amazon and type in what you’re looking for – not a brand name, but a type of product – the #1 ranked item, regardless of brand, is likely to have thousands of reviews. If those reviews are say 4 or 4 ½ stars or better – with reviews from thousands of people, most consumers will happily purchase the item, no matter what the brand is. In this case, Amazon has effectively not just become a logistics provider, not just made shipping easy, not just benefitted from network effects, but it has inserted its own brand into the purchasing behavior – and so the consumer says, “I trust Amazon and Amazon’s reviews so much that I don’t need to spend time searching or depending on a brand name, I can simply purchase the product no matter what its brand is.”

At the same time, social media has allowed people to discover all sorts of brands that may not have much marketing power. If you look at a brand like Coca-Cola, it has thrown around tremendous spending on marketing and it’s built up this enormously valuable brand. Alternatively, you can look at a beverage like LaCroix Sparkling Water. It’s been around for a long time, but as LaCroix caught on along the West and East Coast with people who use social media, the no-calorie, unsweetened product – which is exactly what a lot of people were looking for and what the traditional soda companies, Pepsi and Coke, have been striving to produce; a hit in a no-calorie, non-artificially sweetened category – LaCroix was able to take off and grow tremendously, with enormous market capitalization added to the business. And so, those sorts of brands where their primary value is helping the consumer quickly make decisions about value and quality, we think are under assault from changes in technology, which we think investors need to really be aware

of. We've always very highly weighted brands in our analysis, but if you look at our portfolio today, it's populated by much more of the prestige brands, many of which we think are currently being thrown out with general retail brands, when in fact it's only the search cost brands that are under assault.

MOI: That is *very* interesting. I'd love to also ask the other side of the question: Have you found industries that previously had limited sustainable competitive advantages but have in recent years become *more* compelling?

Stannard-Stockton: It does seem that we live in the age of disruption, and there are far more businesses that are seeing degrading moats rather than those that are building moats. I would point to technology businesses that benefit from network effects as being the obvious candidate for having had a very positive inflection in the characteristic of their moats. It's really amazing that at the 2017 Berkshire Hathaway meeting, Warren Buffett pointed to the five largest companies by market cap – Microsoft, Facebook, Amazon, Apple, and Google – as being what he called “ideal” businesses. ‘Ideal businesses’ is a phrase Buffett has used, in the past, to point to companies with enormous capital reinvestment opportunity – companies that could put enormous amounts of capital to work at high returns on capital. But at the same time, as he talked about those five companies – how they did *not* need to reinvest to grow, what an amazing condition this was, and how *different* it was from the ideal businesses of the past.

These companies, because of the way they use communication platforms to knit people together – and because of the way that consumers, or customers and networks generally, want to standardize on one or possibly two networks rather than having many, many networks that they engage with – these businesses are all participating in what appear to be winner-take-all industries or competitive environments. They are building these enormously powerful network effects that makes it next to impossible for a competitor to come along and re-create that network.

At the follow-up to that meeting, Buffett was on CNBC in an interview with Becky Quick. He said that of everything he talked about the prior day, the one element he said people did not pay enough attention to were his comments about how much he liked these businesses. Amusingly to me, the interviewer rattled off the company names and asked Warren Buffett if he really want his portfolio to look more like this list? And Mr. Buffett said that indeed, he did. And then, Buffett corrected Becky Quick to remind her that Facebook, too, was in that group – signaling that Mr. Buffett would not want Ms. Quick to think that Facebook was not

representative of the sort of business that he wanted to own in his portfolio.

At the Berkshire Hathaway shareholder meeting, Charlie Munger went on to talk about what a mistake it had been for Charlie and Warren not to buy Google – and of course, Berkshire Hathaway is an enormous owner of Apple. The fact they don't own the rest of the companies probably speaks to valuation. By no means do I think any of these comments should be thought of as buy recommendations or his judgments on market valuations of those companies, but I think that the fact that Buffett – who had famously rejected technology at the top of the dot-com bubble – now views these companies as *ideal* businesses, not just growing moats, but the very best example of the sorts of businesses he would want to own, speaks to the fact that the conditions in technology have evolved. Technology IP based competitive advantages, which can be short-lived, and never really provided strong moats in the past, have evolved – for some companies into network effect-based moats, which are incredibly durable.

MOI: Ensemble Capital manages capital on behalf of private clients, charitable institutions, and a publicly traded mutual fund. I'd love to explore the publicly traded mutual fund – when did it launch and why add a mutual fund to the suite of client offerings?

Stannard-Stockton: Ensemble Capital has managed separate accounts since its inception and maintained an equity composite of our performance for those clients. In looking at the track record that we've built over time in the separate account business we felt that we had an investment strategy that would be of interest to a broader set of investors than we currently serve. Ensemble Capital has a \$2 million minimum account size for our separate account offering and we knew that through a mutual fund vehicle people who did not have that level of wealth could participate in the investment strategy. A mutual fund also makes our investment strategy easily available to investment advisors and wealth managers who might like to use it within their clients' portfolios.

We also felt that with the growth of our private client business, we now have a type of “permanent capital” that allows us to stick to our investment discipline even during tough performance periods without worrying that we'll lose too many clients. This dynamic made the time ripe to launch a pure asset management vehicle. I'll talk more about this concept later in the conversation.

MOI: Are their patterns among the private clients and charitable institutions who best align with Ensemble Capital's investment orientation?

Stannard-Stockton: I think it's really people that are focused on their personal goals for their wealth – as opposed to focused on performance for performance's sake. Like all investment managers who have strong long-term records, we've gone through multi-year periods of underperformance – and I think that investors in general who are striving for performance for performance's sake have a very difficult time sticking with the strategy through the inevitable periods of underperformance. I think instead, if you have a goal-based orientation and you're focused on achieving certain financial goals – and you recognize that these goals are long-term in nature – an investment strategy that matches the duration of your goals can make a lot of sense. That's the key to our clients being aligned with our investment orientation.

Charitable institutions, by their nature, are almost always long-term oriented. They tend to be planning in perpetuity, so an even longer perspective than your average private client who may have a retirement date or the end of their lifetime as a planning horizon. We also attract a lot of business-people, individuals who have made their wealth working in various industries and who appreciate conversations with their advisors at Ensemble about the business characteristics of investments we've made.

In 2008, I learned an important aspect of our investment strategy that helps us generate strong returns for our clients, not just raw investment strategy returns. Most people are familiar with the idea that investor returns are typically worse than strategy returns; investors often don't stick with strategies during bad times, and so they don't benefit to the full extent that the returns of the fund or strategy are developing. In 2008, in the week after Lehman Brothers went under, we were calling all of our clients, constantly. We didn't tell them that we knew what was going to happen next, or that everything was going to be okay – because we didn't know. But, we were able to point to their portfolio and tell them about stocks like Costco, which we owned at the time, and point out that the lines at Costco were getting longer as people who had enough income shop at Costco were not losing their jobs, but they were feeling the risk and feeling the need to cut back and be more prudent in their spending – and so they were going to Costco.

We were also lucky enough to own Apple in early 2009. There was a store not far from our office and there were people camping overnight to give cash to the company to buy their products. So, it was really obvious – to even a lay investor – that these weren't just blips on a screen that could go to zero. They weren't complex financial instruments that the client had no idea what they really meant. These were real businesses that produced real value in the world, and while it was incredibly distressing to see their stock prices go down

so much, it allowed our clients to stick with the strategy. We didn't lose any of our clients in 2008 or 2009, and this was a tremendous lesson for us – that a focused strategy on competitively-advantaged businesses is a strategy that not only do we think can produce strong risk-adjusted returns over time, but which private clients can stick with and benefit from *fully* over the cycle.

MOI: Purposefully phrased in broad and vague terms, how do you define and structure alignment?

Stannard-Stockton: The financial industry is rife with conflicts of interest and conflicts of alignment. There's no way to eliminate every single one of them, but Ensemble Capital was founded very much with this in mind. In 1997, Ensemble Capital was one of the earlier independent-registered investment advisers. Curt Brown founded the company and had spent many years working on both the buy-side and the sell-side – he recognized those conflicts and wanted to find a better way. It's very much rooted in why we founded the firm in the first place.

I think that today, one of the things we've found with our private clients who work with us, is that they are people with long-term goals who want to see long-term wealth creation and preservation. From our own business perspective, preserving and growing our revenue base is very much what we want to do as well – and so that makes sense.

On the investment management side, one of the most important things an investment manager can have to stick with their own strategy – to have the patience and the stamina to stick through a strategy when it is underperforming – is to know that while the clients in the strategy may be distressed during periods of underperformance, the individual investment company employee will not get fired. Career risk is a huge risk for all investment managers.

At Ensemble we're wholly-owned by our employees. As Chief Investment Officer, I'm the majority owner in the company and multiple other employees have significant ownership stakes – and so the shareholder or ownership alignment of our company allows us to think long-term and not worry about being fired by our own superiors, but we still run the risk of being fired by our clients.

Permanent capital is something that many investors have talked about over time as a key source of outperformance – something like the float in an insurance companies has been seen as a good source of permanent capital, and that's why endowments talk about their own permanent capital, and there are other vehicles by which investors have gathered permanent capital so that they can pursue a long-term strategy. We believe that wealth management and private client advisement can be a source of permanent capital. Pure

asset management, in which the investment manager has no real communication with the end-client, leaves the client exposed to deep bouts of worry during periods of underperformance. In a private client environment, if you're doing your job right and you're focusing on long-term goals, you have the tools to work with the client to help them through those periods of underperformance. I think that the confidence this gives us to stick to our investment discipline cannot be overstated as a source of potential outperformance.

As I talked earlier, owning individual companies in a focused portfolio that have compelling narrative and stories around their competitive advantages is another thing that can help investors stick with that strategy. So for us, alignment is very much about cultivating a set of clients, who have the same long-term goals that we do as investment managers – and if your time-horizon is aligned with your clients, then a lot of the other things can take care of themselves.

Time horizon mismatches, whether in market prices or alignment of strategies, are one of the most easily avoidable sources of issue and conflict, but also one of the most prevalent. Simply having a private client in a separate account, or in a managed account context, does not mean that any firm is communicating regularly with their client, and we think that communicating with our client base across our mutual fund and private clients in an intelligent, informed, business-like approach is really key. This is a big part of why we write the Intrinsic Investing blog on a regular basis, going in-depth and talking about the companies we own. We hold publicly available quarterly conference calls with our clients, welcome conversations like this, and we think that keeping our clients fully informed, not just of the general strategy but of the details of holdings that they own and our thinking on various topics, allows people to maintain conviction in our approach over time.

MOI: Speaking about patience, how do you develop patience as an investor and how do you personally nurture your own patience?

Stannard-Stockton: That's a great question. Being patient is not easy, in all walks of life. One important key to being patient is focusing on *companies* rather than *stocks*. At a company, fundamentally, results play out over long time-frames. There are plenty of stocks in our portfolio that have very limited news flow in-between quarters, and so you go a month at a time or more without any incremental news. Stocks, of course, have second-by-second data, but if your focus is on the company, then almost by default, you end up thinking about longer-term time horizons.

I was just on a conference call this morning for one of our holdings – which had quite good results but whose stock was down quite steeply afterwards. We are of the view that the

cycle has been turning in that business and is on a two-to-three year path towards much better results. On the conference call one of the analysts disappointingly asked the CEO whether or not he thought the cycle would be turning soon, and the CEO paused and said, "Well, yes but it's already turning because if you were thinking about the cycle turning over a 2 to 3 year time frame, you would see that it was in the beginning stages of playing out right now." The analyst was inquiring, "Why can't it happen during this quarter; all of it in this quarter, and next quarter – why don't we see the whole cycle unfolding?" And that's because cycles don't unfold under those sorts of time horizons.

So, I think the key thing for us in coping with patience in our investment strategy is really maintaining our focus on companies and the news related to companies, rather than the stock market and the news related to stock markets.

Patience is a necessary skill but it shouldn't be confused with always having a long holding period for the stocks in your portfolio. A lot of investors, especially value investors whose general approach we agree with, tend to fetishize long-term holding periods; people love to say, "My holding period is forever."

Frankly, we like making money fast – and exiting positions. It just doesn't typically happen that often. I once read a wonderful point about portfolio management saying that you can think of a portfolio much like a business in that your profit margin is the size of the gain that you make, and your asset turnover is the frequency with which you trade. A good investor should want to make large gains very quickly, get out and move on to the next stock. We have no predisposition to forcing ourselves to hold companies for a long time, but the fact of the matter is that corporate fundamentals take multi-year time periods to play out. Unless you're lucky, the stock performance – reflecting those multi-year business results – tends to take many years to play out. But all that being said, no matter how much patience you have, if your thesis plays out in six weeks or in six months and you fully capture the value that you thought you saw in the stock, and there are better opportunities – we have no hesitation in moving on.

MOI: When you look back within your own career, are there situations where your experience now would lead you to stay away, or perhaps areas where you enjoy greater awareness today versus, perhaps, five to ten years ago?

Stannard-Stockton: I think that the financial crisis was what really solidified our focus on economic moats. When you're investing in competitively advantaged companies, you often end up in what people refer to as growth at a reasonable price, GARP-style investments and attractive businesses that

are cheap relatives to their prospects, and may not be statistically cheap against the average.

Prior to the financial crisis, we pursued what might be characterized as a GARP approach and many of these companies had strong competitive advantages but one of the key things that I learned during the financial crisis was the way in which crises make competitively advantaged businesses *stronger* by weakening their competitors. And so even though everybody, including the competitively advantaged companies, take short-term damage during financial crises – those competitively advantaged companies have the ability to reinvest in the future at the very time when their competitors are on the ropes. Therefore, it really became clear to me that a moat is not just about doing well, in good times – it's *primarily* about defending yourself, in bad times. And so throughout the cycle – competitively advantaged businesses move ahead of their competitors, and it is through a multi-cycle period that they make enormous gains. Ultimately, for me – while we had always thought about competitive advantages and we had always cared about moats – the financial crisis *really* made clear that because you cannot predict when the next crisis will happen, you want to run a portfolio of companies that are prepared for them because it will happen. It's inevitable. The question is only when.

MOI: With enough experience, does history begin to rhyme?

Stannard-Stockton: That's one of my favorite Mark Twain quotes. What's so useful about that quote is the idea that history is not the same over time; things definitely change, but the types of changes, the way in which things change, recurs over and over again. One of the useful things about reading voraciously about past market cycles and past business evolutions, as well as just building your own personal investment history, is beginning to get a sense for the rhyming of history, the rhyming of business cycles, and being able to make connections in new contexts about how they relate to the past.

Charlie Munger is famous for talking about mental models and the idea that learning across disciplines outside of investing can give you frameworks for evaluating new information. This is probably the best way to understand how history rhymes, understanding how the world works and frameworks for understanding rates of change and how things change allows you to evaluate new situations, entirely new situations, and understand, for instance, that the way in which internet companies evolved bears rhymes in some ways with how early car companies evolved and the land grab that happened then.

I think it's a very important concept for investors to have in mind and to recognize that even when the situation looks

brand-new, human history is very long and at the end of the day, businesses are just entities run by humans who continue to behave like humans and will continue to behave like humans in the future, just as they have in the past.

MOI: What is a prior investment, either first-hand or one that you have learned from externally, that you would consider to be a great case study?

Stannard-Stockton: Broadridge Financial is a company that's been a top holding for us since shortly after the financial crisis. I think it's a good case study in the sort of business that we look for on a lot of different metrics, both how it's played out and also how the analysis went. Broadridge is jokingly called, "The most important business on Wall Street you've never heard of" and they basically have a monopoly in processing proxy voting on behalf of corporations and mutual funds. The reason all those proxies that you get if you're a shareholder all look the same is not because they are government forms – it's because they're all produced by Broadridge. They process about 98% of all proxy votes. And then they also provide trade processing on both fixed income and equities for many of the largest banks and brokers. Broadridge benefits from being a very small piece of the cost structure of their customers, yet they're providing a mission-critical element of their customers' infrastructure and that's a pattern that we've seen across industries. It may be a good example of how history rhymes and no matter what industry it is, if you are a provider of mission-critical services to your customers that are integrated into the very fabric of how they do business, and yet your costs are a very small part of the cost structure of your customer, that can make for a very good recipe.

And so, when we first bought Broadridge, it was somewhat after the financial crisis. They'd been spun out of ADP and there were concerns because their customers were threatened. Our view was that the services Broadridge provided were not actually threatened, over the long term; even if the market took a long time to recover, their customers were going to keep voting proxies and trading stocks and bonds. They got through the troubles and have moved on, and we've also been able to maintain a significant holding in the business even as the stock has done tremendously well because while part of the lift was simply through valuation, part was through a compounding of value of the business. This relates back to our earlier conversation around holding periods and different styles of investing. Value investors who focus primarily on cheap stocks, but not wide-moat businesses, actually should not have very long holding periods; if the value of the business is not appreciating and all you have available to generate outperformance is a closing of the valuation gap, the revaluation needs to happen

relatively quickly and so your success is primarily a function of how quickly other investors recognize your thesis on the company. Whereas, with businesses like Broadridge, where the business compounds its own value, you have the room to be patient. If the valuation gap closes quickly – that’s wonderful of course, but if it closes slower, then in the meanwhile the intrinsic value of the business will keep compounding. We believe that Broadridge has made smart strategic moves which greatly increased the business’ intrinsic value from the time we first became owners – even as the valuation has also appreciated from what we felt was a *very* discounted place to a place that is still discounted. We remain invested in the company, despite the fact that the share price is up so much, because the intrinsic value of the company has appreciated so much as well.

MOI: In what other areas do you choose to devote your time?

Stannard-Stockton: I’ve got young kids and so my hands are always full in a wonderfully satisfying way in raising them. But one other important focus that I have, and this relates to Ensemble, is a focus on charitable activities. My parents were sociologists and psychologists; the dinner table conversation was always about social change, and what was going on in the world, and how the world could be a better place. Frankly, I think a job in Wall Street was perhaps not what my parents had in mind. But at the beginning of my career, as I was looking for clients to work with, I was attracted to working with philanthropic high net worth individuals and built the initial base of Ensemble’s AUM with these clients and continued to attract non-profits and foundation clients, as well as just high net-worth individuals for whom charity is a big part of their lives.

For me, it gave some additional motivation and satisfaction to the work we do. I wake up thinking about investing because I love it for its own sake, but it also gives me pleasure to think that the compounding of the investment portfolios we manage is helping preserve and enhance our clients’ wealth, and also preserve and enhance their capacity to give.

MOI: What type of feedback from our members would be most valuable to you?

Stannard-Stockton: One of the most unusual and wonderful things about Wall Street is that it’s populated by these enormously competitive people and yet, for reasons I don’t really understand but I love, investing in general has a culture of sharing information and ideas. I mean, the very idea that MOI Global regularly convinces community members to share their approach and their ideas is just an amazingly wonderful thing. It’s something that you don’t see in most industries. People in the car industry don’t all get together and trade tips on how to make the next great car. That’s all proprietary information. So, I personally benefit

most from MOI Global’s network because so many people, since I’ve become involved, have reached out with questions or suggestions or ideas about our businesses and our portfolio – and the fact that I’m able to reach out to people and ask them their thoughts on holdings in their portfolio or stocks they’ve talked. The fact that people respond and share the information is mind-blowing and is a wonderful thing. The best thing that all members of the MOI Global community can do is just to recognize that the culture of sharing is a wonderful part of the business that we’re in – it’s unique and not common in most industries; cultivating that and celebrating that is a wonderful thing.

MOI: You very briefly touched on your public-facing educational resource, *Intrinsic Investing* – perhaps you can share a bit more of what you’re doing and how people can learn more?

Stannard-Stockton: Years ago, I wrote a blog called Tactical Philanthropy as we were first focusing on serving philanthropic families. That began in 2006, and it was an amazing experience for me. It ended up leading me to writing a monthly column for the Financial Times, and doing a tremendous amount of public speaking and writing – and what I learned from it was that writing is the quickest, most robust way to learn. In launching *Intrinsic Investing*, the goal is to share our thoughts with our clients and investors, so that they can have conviction when the time for testing their patience and conviction comes. Also, because we find that writing up our thesis on a stock or writing up our thoughts on the industry or what’s going on in the market is a tremendous way to stress test our own thinking. It is easy to say your thesis for a company over and over again, but when you write it down, you’re forced to think, “How do I know that’s true? How can I support that? How can I point to the evidence?” When you go and write down your thesis for a company it is a way to enhance your thinking and in many ways to teach you what you already know implicitly. There are many things that you know as an investor, that are implicit or embedded in your thinking and by writing them down, it forces you to go back and stress-test that idea and seek out evidence for that idea. And so, *Intrinsic Investing* for us has this wonderfully dual-purpose of sharing our thinking with our community and also forcing us to think better.

MOI: Sean, many thanks for sharing so much of your time and so much beautifully nuanced wisdom with our community. It’s always an honor to learn from you.

Stannard-Stockton: I really appreciate you having me here.

About The Manual of Ideas

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