When I was in business school with dreams of becoming a successful investor, I must admit the endeavor felt like something of a game. The object was to win by scoring more than “the market” and, beyond that, to put up the most points. Although deep down I knew it to be false, there was a sense in which everything was about the score, as represented by a compound annual growth rate.

Today, I want to “win” as much as ever, but now I experience our CAGR not as a score but as a collection of the experiences of actual people. I think about the Partners who have been with Greenlea Lane for a long time and have done very well, in some cases with life-impacting results. I think about the Partners who joined more recently and have endured volatility without yet seeing sizable returns. I think about the few, even more recent Partners who are down from where they started. The satisfaction of having done well for people and the dissatisfaction of not yet having done so are felt deeply, right on the spot.

So there has been a shift from thinking about investing in a rather abstract way to experiencing investing in what I’ll call a *real-life* way. A real-life view sees every situation as nothing more or less than an opportunity to have an impact. The whole thing is completely immediate and not at all theoretical. During good times, the rewards are appreciated as they are. During tough times, there is no wishing the crisis away, no longing for a do-over. There is just the reality of the situation, so the only thing to do is to work with it, and life is easier.

Focusing on the experiences of actual people, one can’t help but notice something interesting about those who stick with an investment for a long time, through the ups and downs: they tend to have had a special connection with that investment. To them, it is not merely an instrument of financial profit but something more, and this something more is woefully rare in the investment world as it stands. It’s no wonder that for all the companies that have produced extraordinary long-term returns (a very small percentage of companies but, happily, a significant number!), we typically only hear about Berkshire Hathaway having made normal folks rich. Some of these people knew Buffett personally. Others look at Berkshire as a value system for business and life, and as an annual celebration in Omaha.

Greenlea Lane is not about to start hosting live events (my worst nightmare), but fortunately the principle of special connection still applies, in our own way. Most of Greenlea Lane’s investors are friends and family or their friends and family. There is a tribal affinity for quality and long-termism that runs through our Partner base, putting us in a category of investing misfits, and happily so. These non-financial ties are of irreplaceable value.

There is more that I can do to strengthen and densify these ties. I’ve all but stopped having introductory conversations with prospective investors. If Greenlea Lane takes in new Partners in the future, they will come from within its ecosystem. I might also write a bit more freely about things I find captivating and important, endeavoring to make Greenlea Lane helpful and/or interesting in ways that don’t appear on your capital statement.

In the same way that the special connections between Greenlea Lane and its Partners are so valuable, so too are those between Greenlea Lane and its portfolio holdings. These connections take many forms: in certain cases relationships with management, in others an intimate familiarity with and fondness for the business model and/or customer offerings. Occasionally the concern crops up that this kind of closeness impedes objective decision making. This concern is not unreasonable, but I suspect that for truly long-term investors, the answer is not to shy away from one's investments but rather to make closer relationships a net positive. The question of how well the investment fits the investor is underrated.

What I've called *real-life* investing leads to a head-on confrontation with duration. Duration is the force multiplier of all that compounds and the most underrated thing I can think of in the worlds of business and investing. Even the most eye-popping short-term results fade into the background before long; only persistent quality has a lasting impact. Which leads to the question: After today's work is done, after the current concerns have passed away—what then? It's all too easy to miss this question and get stuck in a repetitive cycle, always falling short of the escape velocity that unlocks long-term compounding.

When I started to ask the question of "what then?" about Greenlea Lane's investments, it led me to the goal of building a *self-driving* portfolio, one in which the investments can be held forever because they shoulder the work of compounding themselves. One way of looking at the beauty of a self-driving portfolio is that it requires little maintenance, if any at all. Of course there is the continuous study of the portfolio companies, but this is not so much a precursor to obligatory measures as it is natural interest forming into deeper understanding. So instead of casting about for actionable ideas and scrambling to replace positions that have overstayed their welcome, I'm free to fortify our foundations and expand Greenlea Lane's horizons. This approach is an oddity in the investment world, which seems to spend much of its time and energy on the treadmill of maintenance activity.

Missing the question of "what then?" seems often to show up in another way: a preoccupation with current income. A friend and mentor of mine goes so far as to say that there are two kinds of people: balance-sheet people and income people. And this of course applies to companies as well. Income-oriented companies optimize for how much capital they can reasonably pay out; balance-sheet-oriented companies optimize for how much capital they can wisely reinvest. True balance-sheet companies are unusual, in part because investors seem to reflexively applaud "returning capital to shareholders" in the form of dividends and share repurchase (effectively a preference for putting capital into companies because they will send it right back!).

Of course, I am not suggesting that what I am calling "balance-sheet companies" don't return capital at all; the suitability of capital return depends on the situation and is often appropriate at a certain level of maturity. What I am pointing to is an attitude: a reverence for enduring value and desire to take ownership of building it. I have found that the most durable advantages frequently arise from a balance-sheet orientation. In arenas ranging from insurance and asset management to e-commerce and the internet, plowing in capital all the way down to the ground—the infrastructure layer—seems to unlock capability, resilience, flexibility, efficiency, and optionality that would be otherwise impossible. And it's not just a matter of advantages but also of risk and survival. The world is fragile and there are peculiarly few overcapitalized systems.

October 2023

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