Andrew Brenton (Turtle Creek) – A Different Kind Of Value Investing

Tom Yeowart: Andrew welcome to the podcast. Thank you very much for coming on.

Andrew Brenton: Happy to be here.

Tom Yeowart: So I thought we could begin by talking about your early career. I know you spent a good bit of time as an investment banker doing M&A, and also a bit of time investing in private businesses. I'd love to hear a bit more about those years, but also what prompted you to set up Turtle Creek in the late 1990s and turn your hand to public market investing?

Andrew Brenton: I have to cast my mind back many years now, but I'd actually start just a bit sooner. Turtle Creek has a couple of corporate catch phrases and one of them is 'a different kind of value investing' and I think one of the ways we're different, and I think as Europeans you'll appreciate this, so many value investors in North America seem to have Ben Graham as their intellectual forebears. For us actually it's John Maynard Keynes. In fact, I have to admit, I've never read any Ben Graham materials. So it was when I was an undergraduate at university and I read a brief profile of Keynes and it was like a lightning bolt shooting through me. He was a very good investor as well, had quite a path in terms of becoming a great investor. And I thought, wow, you can make a living using your brain to make more money with money. It was just, for me, such a cool thought.

As you describe my background and my career, you're right, I started in mergers and acquisitions, investment banking, and then ran a private equity fund in the nineties before setting up Turtle Creek. But in a way, at the very beginning of my career, I had my eyes set on public market investing. And when I came out of business school, I thought, well I don't have any money and in a very interesting job at the time, and I thought what better way to understand companies and what companies are really worth than to be at the table when companies think about buying and selling either others or themselves or divisions. And so I thought it would be a really good schooling for public investing and then that phase of private equity investing was really because the bank that had bought the investment bank I was at, back in the eighties, the CEO approached me and asked if I would set up and run a private equity fund for the bank. And it was essentially an offer I couldn't refuse.

And we were successful at that. And two of the key people, in that phase, are the two partners who co-founded Turtle Creek in the late nineties. So in a sense with my two partners, we've been together for a long time. They were actually in M&A with me, they're younger than me, and so they then joined me as I built the private equity business, and then came with me as I said, look, this is what I really want to do. All the private equity phase reconfirmed my view that the public market is a terrific place to allocate capital and invest and we can talk about market efficiencies, but both in M&A, and also then private equity, the idea that public markets are efficient is simply ludicrous. And I kept seeing that from the moment I left school. So at business school, I was taught the efficient market theory. It was probably the height of efficient market hypotheses. So think early-to-mid-eighties, and I got to the public market as an advisor and thought none of that is true.

Tom Yeowart: Expanding on some of those key experiences. Why do you think public markets are just a better place to be as an investor?

Andrew Brenton: In a sense, I made that shift from private investing, confirming my view that a great place to invest and spend my time is in the public market. One weekend, I wrote down, pros and cons of private equity versus public investing. And it was fascinating. I brought it in and sat down with the partners. And one of them, I had hired from a very large private equity shop because jokingly, I thought if we're going to start a private equity fund, we should have at least someone who has done this before. And he was terrific. And I went through all of the arguments, all of the pros and cons and they were all in favour of public investing, not private equity. And at the end he said, Andrew, I agree with everything you just said. I just thought, who do I want to compete with as an investor? Do I want to really compete with, in Canada it would be Onex as a thought experiment, but in the US, KKR and Blackstone and Carlyle, or would I like to compete with other public market investors? And so the thought on Turtle Creek is simply very few people in the public market, are doing the kind of work that a private equity fund would do when they're looking at an investment.

And so at Turtle Creek, we apply that same thought process of doing the work as if we were going to buy the whole company or at least control investment in that company. And of course we're not going to and I'd rather compete in the public market with so many groups that are either closet indexing or actually indexing. And I won't say, retail investors or individual investors as if they're the unsophisticated ones. I haven't seen in many cases, a lot of sophistication, when it comes to making the right decisions in the crunch, with many institutional investors. So it just struck me and I kept observing better managed companies, trading at cheaper prices in the public market than I could ever get invested in, in private equity. I'd sometimes use the example of sitting across a boardroom table from a CEO and telling him, I love your strategy, you run a great operation and I'd like to invest at 4x EBITDA or 3x EBITDA. He would throw you out of his office. And yet, so many times in the public market, those opportunities are thrown up.

I've mentioned Keynes once already, but one of my favourite quotes from him is he said something like, it's the fluctuations in the public market and prices that throw up such amazing opportunities. And yet it's those very fluctuations that prevent most people from taking advantage of it. In a sense, we try to be the rational actor who doesn't let the public market tell us anything. I don't think there's really any information in the share prices. The information is from the company. And we take advantage of the fact that there is a somewhat of a random walk in the short term with public stock prices.

George Viney: Andrew, just turning back briefly to your private equity and M&A days. I think in your literature, you've written about gathering the scar tissue along the way, and I'd be interested whether there have been any particular formative experiences which have really informed your particular approach?

Andrew Brenton: The very first time I was ever asked by a professor to speak to his investment class. This was a long time ago now. And as I was describing to the class, I thought to myself, he's never going to invite me back because I essentially said, I feel as though anything I learned about investing in business school, I learned in my capital budgeting class. It's cash in, cash out, cash in, cash out. And then what I stressed to the class was the one thing that I've learned through the private equity phase, because we were control investors and we sat on all of the boards. One of the things I learned or appreciated was complexity. How numbingly complicated it is to run a company. And then of course, the bigger the company, the more complicated it is. And so I think bringing that appreciation to our conversations with senior management of public companies is really important, because the world is such an uncertain place. There are bad things and good things that are going to happen to companies all of the time.

And then even the idea that any CEO can really truly have his arms around everything. That's just not possible. And, and it's funny, it reminds me of one situation in early 2009 or the spring of 2009, the midst of the credit crisis, I went to the annual meeting of one of our companies and the CEO introduced me to his brother who was running Europe for them. So they were kind of co-founders of this company and he introduced me as, Hey, this is the only shareholder who didn't call me up last fall and scream and yell at me. And I thought what would people scream and yell about other than why is the share price down? Because this company did everything right? They first of all, ran their business exceptionally well through that period, they had a very strong balance sheet, they bought back a lot of stock at very attractive prices. And so I just thought, they were a poster child for us as making all the right moves in the midst of the credit crisis. And so, I know when we have conversations with our companies just the feedback we get is, they enjoy the conversations.

It also reminds me of many years ago digging in on a US company that was based in New Jersey. And then saying, we're ready to come down and visit you. And the treasurer said, the CEO, we're really busy and we get calls all the time, all the time from hedge funds in New York. And so I'm not sure how much time you you'll get with our CEO and CFO, but if you're going to take the trouble to fly down, we'll allocate an hour or two hours. We ended up spending the entire day with the executive management. And I could see both the CEO and CFO relaxing a half hour into our meeting. And it was more my partner, Jeff Cole, who really had his arms around the company. And once they understood you've done a lot of work already, and you're asking long term questions, trying to understand the business, they enjoyed it. And the treasurer admitted, we get called all the time from hedge funds in New York, but they're just trying to read our body language on what the quarter might be or whether we're going to buy something. This was a specialty pharmaceutical company long before Valeant Pharmaceuticals went crazy. So it's those kinds of experiences that reconfirms that thought that there really aren't a lot of money managers really doing the hard work.

George Viney: There aren't many money managers that say that they don't believe in economic moats. That's something that you've said in the past. It's quite a provocative thing, this idea that there isn't really sustainable competitive advantage that can prop up super normal profits over time. I'd be fascinated to hear you unpack that a bit and particularly what does it mean for the way that you select and manage your investments?

Andrew Brenton: That is a provocative statement and it's a bit of an extreme one. There's an enormous spectrum of competitive advantages of companies. Sometimes a company is just smarter and better and faster than the competition. We've owned a trucking company, transport company based in Montreal that has simply run circles around the Canadian competition and is now the sixth largest transport and logistics company in North America. And now they're listed on the New York stock exchange and the CEO is a force of nature. It's remarkable and it's hard to step back and think well, what is the moat there? And yet there are some excellent trucking companies that continue to earn superior returns on capital and ironically, maybe because there are a bunch of smaller trucking companies that don't. And so is that an economic moat or is that just intelligence? If there really is a moat, if there's a law that creates a moat for a company, then the public market is going to be pretty good at figuring that out and giving that company a premium valuation.

So, our approach is every good company has advantages and therefore could argue that they do have an economic moat of some description, but they have to keep running really hard to maintain it. So we own, have owned for many years, a Calgary-based company that is in an industry you've probably never heard of, it's called hydrovac. The technology was invented in the oil sands for it to get through permafrost, 30 years ago. They are more than 10 times bigger than any of their competitors in North America. They are educating big US utilities on the use of this technology compared to picks and shovels and backhoes. And you can make a great case for all of the economic advantages. They have scale moving vehicles away when there's a hurricane approaching the Carolinas and Duke Energy needs 50 hydrovacs poised, ready to deal with any clean-up and emergency. There's only one company that can do that. And as a consequence, they do earn remarkably strong returns on capital. But I don't really think of that as a moat.

We've owned CarMax, which is the biggest US used car dealer. And they've built up moats over 30 years and then a company called Carvana came along in the last few years and was able to raise billions of dollars to try to do what CarMax did over 30 years in five years. The story is still being written, but it's not clear that it's worked. And now they don't have that billions of dollars available incrementally from the public markets to continue that. So, that's the nuance, you have to be constantly vigilant that something won't happen to break down that moat. And it's not binary, it's not, oh, there's a moat or there isn't a moat. It's all of the forces in a business and in an industry.

George Viney: And it sounds too, not to belabour the point, but there is money to be made in highly competitive fragmented industries, for those that have a relative advantage in the way that they're organized and run?

Andrew Brenton: I think that's right. It's funny in that if you think about, for example, the different substrates for packaging, there's glass, there's aluminium, there's also plastic. One of our holdings is the largest plastics company and so that people don't get upset when they hear that, I don't mean shopping bags. I don't mean straws. I don't mean water bottles. Think consumer packaging and cosmetics, but also one of their biggest divisions is health and hygiene. So surgical gowns, N95 masks, diapers, that type of thing. The problem with the industry in a sense, compared to glass or aluminium, for example, or even cardboard is how fragmented it is. How easy it is to enter that industry.

So, analogized to trucking, when I first was asked, hey, do you want to have a meeting with this company coming in from Montreal? This was 16, 17 years ago. I thought, well, what do they do? And he said, well, it's at that point already Canada's largest trucking company. I thought, how can that be interesting? We met the CEO and just thought, wow. And so when I move over to the plastics industry, think, okay, the negative of there are lower barriers to entry, if you spin it around, can actually be a positive in that people with a lot of energy and they start a small plastics company, and then they after 20 years are tired and their children don't want to run the business. And then their customers' change where they want the product shipped to. So our company can come in and buy these smaller companies. They can reallocate, since they have 350 plants around the world, where the product is produced and shipped. And then because of their size, they have significant purchasing power and a margin advantage on resin. But again, they need to continually be moving forward so that others don't catch up.

Tom Yeowart: Andrew, you call your approach a different type of value investing. What's that mean in practice and what are the main ways you think you differentiate from others?

Andrew Brenton: We started Turtle Creek and we said the only thing that matters, just like it is in private companies is the present value of all future cash flows. That is the only thing that matters. And then over years, as we would meet people, they would say to me, well, you're a value investor. That's when I went and thought, I better read about value investing because apparently I'm a value investor. And absolutely we are, in that core idea of the only value that matters is the present value of all future cash flows. So that's how we're the same. But when we use the catchphrase a different kind of value investor, there are differences in each of our four steps. So our four steps are find great companies. So everyone's trying to do that. And our second step is valuation and all good value investors are valuing their companies. And then I'll talk about our third and fourth step afterwards, which I think on their own are actually different.

But in the first step, we're looking for the same thing that all terrific value managers are looking for. Try to find really good companies, smart people are doing the same thing. I would say, though, in that step, we are drawn to unique, one of a kind companies, because our thinking is we're going to do so much work and we're going to follow the company probably for many, many years, as long as it stays public. And as long as they don't lose their edge as management, as people change and get older. So if you're going to do all that work, wouldn't it be better to do it with companies that are unique or one of a kind, because they're more likely to get mispriced in the public market. One of the things the public market does, as we all know, is they look at comparables. Where's everything else trading? So we have six large banks in Canada. And when I read the research that the analysts do, they're going into great detail, but they're also comparing the banks constantly. And so, generally I really look for and direct the investment team toward unique companies.

And so I think in almost all cases could make an argument as to why the companies we follow or own, don't have a bunch of comparables. The exception would be the transportation logistics company that I mentioned. There are a lot of trucking companies and in a funny way that didn't hurt them as they listed on the New York stock exchange about three years ago. And then because of the comps in the US, essentially the stock got re-rated to a higher level because of that.

Tom Yeowart: My sense is you do place more emphasis on operators and, to your point, if the world is complex and adaptive, you're putting your trust in people perhaps more than a lot of other managers.

Andrew Brenton: Yes, I think that's fair. And again, that may come from our private equity period and that appreciation of complexity and how much you're really delegating to companies to do the right thing. Your point highlights something that I would say we don't go looking for scuttlebutt. We're not going to get satellite images on how many cars are in the parking lot to figure out whether one of our retailing companies is going to have good sales that month. We are thinking very much longer term. A lot of our work is constantly testing and reassessing all of our companies as to whether they are doing the right things in our opinion. We will never give advice and anything to do with their operations or strategy. We will give advice on capital allocation and the right kind of balance sheet and those types of things, but not on the way they run their business, but we ask lots of questions about their business.

And then when you move to valuation work and again one thing I've noticed with other value managers, when they speak about their approach, is they'll often stress how conservative they are on that step of valuation. I remember one manager years ago, in front of a class of students at a university, they asked about the modelling and forecasting. And he said, well, I make some really, really conservative assumptions. And then I haircut those. And then if the stock is trading at a 30% discount to that, then I buy the stock. And I thought, oh boy, our approach is really different. Our approach is to really try to get the future right in a balanced way. What that means is we will own growth companies. And what that also means is if you looked at some of our forecasts or models, you might look at it and say that's a lot of growth, both through acquisitions and organically over the next 10-20 years. But if we think it's there, then we will put that into our forecast. So I would stress that we're not conservative in our forecasts. When I look at things on a year-to-date basis, we've taken our long term view down on six companies, up on five companies, and the other 20 or so really no meaningful change.

That's what I want to see. I want to see us realising, okay, we got a little out over our skis on a couple of our companies over the long term. But what I don't want to have happen is, come back to that transportation and logistics company, the stock price has gone up a lot in the last three, four years. And if we weren't giving them credit for all the things we thought they would do. And if we weren't then quick to reassess a very large and strategic acquisition they made a year-and-a-half ago in the US, we wouldn't have owned nearly as much stock as we own. And today, it's our third largest holding despite the fact that the share price is higher, because we've reassessed and elevated our value on the business. And so, I am as upset when we end up trimming a position and trimming a position, and then it turns out, our forecast was too low and we shouldn't have trimmed, or we should have owned more at the outset. That upsets me as much as having a forecast in a company and then they disappoint us. And I think most people probably would be more focused on and more upset about where they were too high in a forecast versus being too low.

George Viney: Andrew you've said yourself that the future is inherently uncertain. So how in aiming for that precision, do you avoid the behavioural pitfalls that can often come with it? The anchoring, the overconfidence in particular, how do you build in a series of scenarios and probabilities around a central estimate of value?

Andrew Brenton: It's really tough and I would stress that my two founding partners are remarkably able investors. And I recognised when I was thinking of going off to do Turtle Creek, I looked at my two partners and thought with them I'll be a much, much better investor. And that has proven to be the case. And I think partly when I then have read about the behavioural finance biases, like the endowment effect, the loss aversion. Honestly, when I read them, I think that's not us. On some of the things like loss aversion, that absolutely is not us. We're just not wired that way. And then, the ones that could be us, like overconfidence or recency bias, I'd say we just fight them. The power of our approach, to deal with some of these biases, is a lot of our time during the day is spent in meetings where everyone is on board, including the summer student. What we're trying to accomplish is lots of discussion, lots of arguing, lots of disagreement on different assumptions. But when we leave the boardroom, there's a consensus, which is really important, so that no one's pointing fingers when the results aren't what we had forecast or the stock price isn't doing well.

This is about collectively making intelligent decisions and having that balance. It really is trying to get that kind of best guess in the middle forecast and then recognizing that the world is uncertain. That's why we don't just own one company. Right. And then we do have a concept that we call dispersion. What's the dispersion of the forecast, and that can really affect our target weighting for a holding. So imagine you could have two companies with the same, let's say forecast, the same trading at discount to its intrinsic value, but we might have a decent amount more in one versus the other, because there's a bigger range of outcomes in the future for one company versus the other. And that's something that we try to explicitly take into account. But it's a constant scramble. I watch this with my partners, something bad happens to one of our companies, and I just marvel at how they hit the reset button, they take the new information and they process it and they may end up with a lower value. But as long as it's still an honest, well-run company, despite some bad events, we won't vote it off the island. We may take our valuation down, which may cause us to not buy as much if it were to fall or sell more, if it were ever to rise. But it's a separate decision to conclude this company isn't what we thought. Or this company has changed because companies change over time and they're no longer meeting our threshold criteria. It doesn't matter how cheap a company is, if it doesn't meet our threshold criteria.

George Viney: One thing struck me in particular, which was you seem to be drawn to serial acquirers as an area or hunting ground for your stock selection. I'd be very interested, first of all, to understand why, and then to understand how you can incorporate M&A into your valuation work and your forward looking models.

Andrew Brenton: I had a call with the investment club of a US university. And that's exactly what they said, is you really like companies that are acquisitive. And I said, no, but what we do is we will value that. We'll put that into our forecast. There aren't many companies that are good at acquisitions. 80% of acquisitions don't create shareholder value or effectively destroy shareholder value. That's probably true. And I can say that, I had clients who did that all the time, back in the first part of my career as an M&A adviser. Maybe there's even a correlation, if they were retaining investment bankers that probably wasn't necessarily a great sign. So, I wouldn't say that we prefer serial acquirers. I would say that because the public market doesn't seem to understand how to price that into the stock. And if we think they're good at it, and we think they have opportunities set to buy accretively. Not a roll up, the classic, oh, you're trading at a high multiple, and you're buying things at a lower multiple, and look at the accretion. That's just an accounting or a financial engineering game that can go away in a heartbeat when your stock price goes down. I'm talking about what I would call true platform companies that there really is a rationale as to what they're buying and that they're self-funding. So they're not reliant upon a high share price to continue to do what they're doing.

We love pure organic growth companies. So 45% of our portfolio today, is basically pure organic growth, they don't buy anything, there's really nothing to buy. Like CarMax, the used car retailer would be a classic example of that, or the hydrovac company out of Calgary, Alberta, Canada would be another classic example. They're the 800 pound gorilla already. There is nothing to buy. But when we find the serial acquirers that can create value, like the trucking business, then when we put that into our forecast, we end up with a higher value because we're adding assumed acquisitions. And by the way, that transport company has beaten us, in terms of our assumptions over the years, it's really quite remarkable. And so, it becomes a bigger holding or a holding in our fund, because the public market is not pricing it in, but they have to be what I'd call episodic acquirers. So there's a Canadian company that I think is pretty well known among value investors, called Constellation Software. We have never owned that company. There's a long history with the CEO. We've known him for a long time. We actually, on our private equity days, looked at investing in Constellation then. So we know the company. The thing is they are so programmatic, it's so predictable what they do that, that share price incorporates, assumed acquisitions. And so, the market is capturing that value that they are creating. And yet there are other software companies that are, as I say, very episodic in their acquisitions, but they're good at it. And that, in our experience, just doesn't get priced into the stock.

So, you know, I turn it around a bit and say, we like all companies as long as they're well run, and they're honest. Our approach is intensely bottom up. We are sector agnostic, except that we don't own or look at basic resource companies. I don't like for example, drug discovery companies. Those types of companies that are binary outcome, but otherwise we try to have no biases. I'm glad I took the meeting on the Montreal transportation company 16 years ago. So I learned my lesson, always take the meeting.

Tom Yeowart: Andrew probably a good segue into talking about steps three and four of your process. You talked about how you're striving for accuracy within your valuation framework. And trying to get it right, rather than be conservative. But I guess stages three and four is where you build in some conservatism because you're wanting to buy businesses, and trade around holdings, based on discounts to your assessment of the intrinsic value.

Andrew Brenton: That's exactly right. So we call our third and fourth steps, portfolio construction, and then continuous portfolio optimization. So we break it into two steps, but it really is just one step. I mean, it is sizing a position initially and then reacting if the share price changes or if we change our valuation on the company. The core idea is the bigger the margin of safety, the better. And so everyone would agree with that. And then we slice it very thinly, I guess, almost applying calculus to the idea of rebalancing. We don't say, oh, it's either a 2% or a 5% weighting. It's a complete continuum. And it's a function primarily of that margin of safety, against that balanced, sometimes what might look like optimistic, forecast over the long term. The conservatism comes in with that biasing constantly toward the companies that we think are the cheapest, but doing it on a continuous basis and being symmetrical. There are many investors I hear say, the stock went down, so I bought more. But if you're trying to be fully invested, which is what we're trying to do pretty much always. If you're going to buy something over time, you need to sell something and you need to be symmetrical about it. And so we're what I would call as equally happy to sell portions of positions of companies we love as we are to gleefully buy more at lower and lower prices.

That symmetry has added value to a buy and hold return, holding by holding over the years. Comparing a static portfolio from the beginning of the year, to the end of the year, versus our unit price change by the end of the year. So every year it's been better than a buy and hold. It ranged though. So the average was 300-to-400 basis points. But it ranged from couple hundred basis points to 800 or 900 basis points in 2020 with the COVID crash and all of the volatility. So the more volatile the market is, that tends to help that part of what we do. If you step back and think about the process, well, you need to have had done steps one and two to even think about doing steps three and four. You need to have honest, well run companies because things are going to happen. And then you need to have a pretty comfortable view that your value is reasonable. And so, my way of thinking, step three and four of rebalancing and sizing, it just falls out of the logic of the types of companies we own. So, when you look at our aggregate long term returns, the bulk of the return comes from the core, and then there is this, call it, additive feature.

Tom Yeowart: Can I return to this idea of dispersion because of the 25 or so companies in the portfolio, clearly some will be trading on wider discounts to your assessment of intrinsic value, but maybe your confidence in the predictability of your forecast is lower and maybe the operational volatility of the businesses is just greater. So can you expand on how the dispersion element informs your underlying weightings?

Andrew Brenton: We have a number of factors. The core driver of weightings is margin of safety. The long term expected return from a buy and hold. But these other factors in aggregate can have a meaningful impact on the target weighting. And one of them, as we we've talked about, is dispersion. Another is simply how well do we know this company? We own companies that we've only been following for a few years. And then you think of that transport company out of Montreal, we've followed it for 16, 17 years and owned it for 15 years. And there's a different level of knowledge and comfort that when that management team tells us something, we know how they spoke for 15 years. Another factor is how aligned do we feel that we are with the board, with management. Many of our companies, or a disproportionate number, are still founder run, or at least long, long time management. And so we do rank our companies based on how much are they thinking about long term value creation for their shareholders? And so all of those factors can combine to have a meaningful impact one way or the other on weightings.

George Viney: Stages, one to three: stock selection, valuation, portfolio construction are there to help try and minimize that human element, the emotional content that comes with being in public markets so that you can execute on that final stage of portfolio optimization. Why isn't that final stage Andrew, best done by a machine. You can put in all your numbers, your discounts to intrinsic value. What's the benefit of having a human touch at that point?

Andrew Brenton: It's a great question. Every time we debate it, we conclude no, there is such a human element to what we do. It is not a mechanical process. I'll give you an example. We own a company called ATS Automation. It's a global automation company. They disappointed us for a number of years going way back, because we expected a lot of organic growth. They both grow through acquisitions and organically, and we didn't see it. Our forecast turned out to be too high for a seven year period. So you step back and say, well, we're using a 9% discount rate. The value should have gone up over time. And it didn't. So they did disappoint us. Now, the reverse has been happening in the last few years with a new CEO. And so the stock really rose last year. Given our process, a machine would've said, sell the stock, sell the stock, sell the stock. Cameron McKendry is the point person generally for these decisions if you will, entering the trades. Cameron understood, there's a real risk right now that we're too low. They've reported a strong quarter. They've made some significant acquisitions. There was a period where they didn't do any for a couple of years as the new CEO came in and I think got his feet underneath him. And now the amount of capital they've deployed in acquisitions, mainly in Europe, is way ahead of what we were assuming. And Cameron had the override, if you will, the judgment to say, Hmm, I don't know, I'm worried that we're too low in our forecast, so I'm not going to follow this signal. I'll sell a little bit, but not nearly as much as the construct would have you think. And that's a constant process.

I always stress that our fourth step is it's simply icing on the cake. Because we acknowledge that we have no idea where the share prices are going in the short term and this reacting to traded share prices, it's not at core what we do, it's simply an added feature to that fundamental value investor buy and hold mentality.

Tom Yeowart: What's the underlying turnover of just the holdings? So stripping out all the portfolio optimization.

Andrew Brenton: Over 23 years, we've only owned 110 companies. So that's a turnover of three to four companies a year. I keep thinking that changing the companies will slow down. It hasn't yet. We're only North American focused at this point and we're still finding some remarkable US companies in the mid-cap space, which is where we focus.

Tom Yeowart: Turning to our closing question. What piece of advice would you give a young Andrew Brenton at the beginning of his career?

Andrew Brenton: It's funny. I say this to my children. I over allocated time to thinking about, am I going in the right direction? Am I going in the right direction? Because I was terrified of ending up in a job that I didn't like. And so to your question, it's not like I look back and say I wish I'd zigged when I zagged. I concluded at a point that I only wanted to work for clients I really liked. So, I guess my advice would've been, that instinct you had when you were 23, you should have been quicker on that point. You should have made sure you didn't have clients that you didn't like, and that you didn't enjoy working for. And sometimes I wonder, should I have gotten to Turtle Creek sooner? Because it was where I expected to end up and I wonder why did it take so long, but those were remarkable parts of my career. And for sure, my partners and I know that we're better investors in the public market because of those prior phases. So, yeah, I guess it would be have confidence in the views that you had and act more quickly, would've been the advice.

Tom Yeowart: Thank you very much for your time, Andrew.

Andrew Brenton: This has been a lot of fun.