



# VALUE INVESTOR DIGEST

## Issue 48 – July 2020

The July edition of VID features a Value Investor Digest interview with Jonathan Boyar on Disney, Madison Square Gardens, Twitter and Berkshire Hathaway.

The issue also features other articles and videos including ones featuring Seth Klarman, Crispin Odey, Cliff Asness, Dave Iben, Ronnie Chan, Bill Gross and Jonathan Ruffer.



### Jonathan Boyar Interview

"They [The Dolan Family] have been terrific at creating shareholder value and most recently what you alluded to is they took Madison Square Garden which consisted of the Knicks, the Rangers, the Garden Air Rights and a big pile of cash and then separated it in to two publicly traded companies. So now you have MSG Entertainment which has the venues - MSG, The Forum, The Chicago Theatre, Radio City Music Hall etc as one publicly traded company and you have the other which is Madison Square Garden Sports."

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### Seth Klarman Says Fed Is Infantilizing Investors in ‘Surreal’ Market

"Surreal doesn't even begin to describe this moment. Investors are being infantilized by the relentless Federal Reserve activity...It's as if the Fed considers them foolish children, unable to rationally set the prices of securities so it must intervene. When the market has a tantrum, the benevolent Fed has a soothing yet enabling response. As with the 30-year-olds still living in their parents' basements, we can only wonder whether the markets will ever be expected to make it on their own."

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### Crispin Odey: Stocks Are Way Overpriced

"We are in a world that is moving very quickly from being run by markets to being run by governments. The problem that one has running a balanced book is that if there is a shock like the pandemic, the world seems like it's going to disappear, but after five minutes, the largest monetary policy action ever seen is introduced and the stockmarkets rocket back up powered by this massive liquidity. Running a delicate book feels like being in a small sailing boat in a force of gale."

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### A ‘Major League’ Inflection Point For Active Stock Pickers

"During this strange era in which we live, many of us long for the return of live entertainment. We can only hope that neither entertainment nor investing has been permanently handed off to the virtual world of computers and algorithms...However, if very few people are performing due diligence, efficiency can no longer be claimed. It's all passengers, with no driver, as the vehicle speeds down the highway. What is the 'passenger to driver ratio' now? "

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### 13F Reporting Threshold May Rise from \$100m to \$3.5bn

"The Proposal further notes that, in 1975, approximately 300 managers were subject to the 13F reporting requirement by virtue of the \$100 million threshold. Today, over 5,000 managers exceed the \$100 million threshold and are subject to the reporting requirement."

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### Bill Gross Letter: July 2020 Investment Outlook

"I write this time to try and provide a not necessarily unique, but certainly rare, take on stocks and the reason they have done so fabulously well – especially the Fab 5 and growth stocks in general."

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### WSJ Article from 1999: 'What's Wrong, Warren?'

"But there's more to Berkshire's weak showing than just the operating and investment performance. To be blunt, Buffett, who turns 70 in 2000, is viewed by an increasing number of investors as too conservative, even passe. Buffett, Berkshire's chairman and chief executive, may be the world's greatest investor, but he hasn't anticipated or capitalized on the boom in technology stocks in the past few years. Indeed, Buffett has even started taking flak on Internet message boards."

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### Luxury Sales in Mainland China Are Booming: Hang Lung's Chan

"If you are in the luxury segment as we are then what we are seeing is something amazing - amazing. 100% of all sales to maintain Chinese are now inside mainland China. Whereas before COVID that was only about 27-28% of all the luxury sales bought by Chinese citizens are done on the mainland - the rest were outside including Paris, London, New York, Hong Kong or wherever. So suddenly you have a repatriation of 100% of all the sales in to mainland China."

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### Altman Predicts Mega-Bankruptcies

"There was a huge buildup in corporate debt by the end of 2019 and I thought the market would gain some much needed de-leveraging with the Covid-19 crisis. Now, seems like companies again are exploiting what seems to be a crazy rebound...When there is an increase in insolvency risk, what you do not need is more debt. You need less debt."

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### The Money Maze Podcast: Chris Ralph, St James's Place

"My perspective on fees comes from my seat looking at our investment managers and there is no doubt that investment management fees are under pressure and if you look at the trend in fees that investment managers can receive they have been on a downward trajectory for some period of time....what we achieve for our clients is roughly about half of the average retail rate that you can buy a similar strategy for on a mainstream investment platform - and clearly that additional cost saving is passed straight on to clients."

[Listen to Podcast](#)

### Ruffer: Year End Review

"Remember at its simplest, inflation is caused by too much money spent chasing too few goods. On top of this, austerity is dead and fiscal spending is here to stay. What's more it is currently being financed by central bank money printing. It doesn't matter whether it is the political left or the right in power – they all have their own expensive plans to stimulate and get the economy going again. From the US Democrats' Green New Deal or Medicare-for-All, Trump's Coronavirus Stimulus Cheques, to Rishi Sunak's furlough schemes, bounce back loans and stamp duty holidays, the spending rabbit is well and truly out of the hat. But the problem with 'printing money' is one of control. Once voters know that unfettered money can be bestowed so easily, politicians will suffer greater pressure to create more! As Milton Friedman said, 'Nothing is so permanent as a temporary government program'."

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### Visual Capitalist: The Impact of COVID-19 Shutdowns on the Gold Supply Chain

"Chains are only as strong as their weakest link—and recent COVID-19 shutdowns have affected every link in the gold supply chain, from producers to end-users. Increased investor demand for gold coupled with a constrained supply has led to high prices and a bullish market, which has been operating despite these pressures on the supply chain."

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### Growth Stocks Are Eating the World. Live With It

"A third reason for the persistent underperformance of value stocks is low trading volume. In Hong Kong, for example, there are roughly 2,500 listed stocks. The top 100 by market capitalization account for 70% to 75% of daily trading volume, with the next 200 taking 20% to 25%. That leaves the remaining 2,200 issuers competing for the scraps. On a typical trading day with \$13 billion in turnover, that amounts to about \$650 million for these companies — or about \$300,000 apiece. Thin pickings indeed."

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### Cliff Asness: Value 'Hell' Has Given Me More Confidence in the Factor

"Value's 'hell' has only made him more confident in the factor — and his firm is even committing a 'sin' by trying to time factors by tilting more toward value, and away from momentum, or stocks that have recently gone up." [Full Podcast referenced in the article is [here](#)].

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### Tesla's Stock Price Discounts Temporal Wormhole into the Future

"In Star Trek there are convenient wormholes, which cut corners through space, getting you to that galaxy a billion light years away in hours. Low interest rates have messed with the temporal properties of the market and created a wormhole in time and in Tesla's stock (as well as in many other stocks)...It will take years, maybe even a decade, for Tesla to produce enough cars to justify its valuation. Today's market valuation assumes it has already happened – that the capital has been raised and spent and that it cost nothing."

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### Bill Gates: How the Pandemic Will Shape the Near Future

"We are still not able to characterise who the super-spreaders are, in terms of what that profile is. We may never, it may just be quite random. If you could identify them - they are responsible for the majority of transmission - a few people who have very high viral loads. But sadly we haven't figured that out."

[View Video](#)

### Rapid Fund Churn Fuels China's Equity Rally

"Blockbuster equity funds launched by Chinese asset managers in the first three months of 2020 have suffered huge outflows in the second quarter with investors rapidly taking profits on any early gains and leaping into the next hot strategy. Trading on mobile phones by younger investors is helping to drive frenetic inflows and withdrawals across China's rapidly expanding \$2.4tn public funds industry, fuelling volatility in Chinese stocks."

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### Martha Matilda Harper: The House Servant Who Pioneered the Franchising Business Model

"Ray Kroc is often credited as the "father" of the franchising business model. But 60 years before McDonald's, a woman named Martha Matilda Harper built her own formidable franchise of hair salons — the first of its kind in the US — and trained hundreds of underprivileged women to run their own businesses."

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### BP: Statistical Review of World Energy

"Primary energy consumption growth slowed to 1.3% last year, less than half the rate of growth in 2018 (2.8%). The increase in energy consumption was driven by renewables and natural gas, which together contributed three quarters of the expansion. All fuels grew at a slower rate than their 10-year averages, apart from nuclear. By country, China was by far the biggest driver of energy, accounting for more than three quarters of net global growth. India and Indonesia were the next largest contributors to growth, while the US and Germany posted the largest declines."

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### What If the Dotcom Boom and Bust Hadn't Happened?

"It is now 20 years since the nasdaq, a tech-heavy index of shares, reached a peak after a frenzied rise during the late 1990s. The apex, on March 10th 2000, marked the end of the internet bubble. The bust that followed was a triumphant vindication of the sober valuation methods pioneered by Graham and Dodd and popularised by Mr Buffett. True value is a low price relative to some financial measure of intrinsic worth — recent profits, say, or the book value of assets. Dotcom-era analysts, if they bothered at all, used flakier metrics: "eyeballs", "engagement" or simply "the opportunity."

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*Quote of the Issue - VID 47  
(from our collection of investment quotes)*

*"This matter of training oneself not to go with the crowd but to be able to zig when the crowd zags, in my opinion, is one of the most important fundamentals of investment success."*

**Philip Fisher**

