# A lesson for investors from our own experience

We established the fund in 2004. As of today, that represents more than 4,500 days of continuously interacting with the market, accumulating experience, and progressively learning. Literally thousands of investment decisions, each of which brings feedback that can be used in future. One lesson from the whole of 13 years, however, exceeds all others in importance, and we would like to share it with all professional and hobby investors because we believe they can benefit from it.

In 2008, we saw the value of our portfolio drop by 85%. This occurred due to the combined effects of a stock markets crash, our own errors, and ever-present chance. Not even from hindsight can it be said which of these influences was most crucial. When a stock markets crash occurs, as it did back then, equity investors can expect that the values of their portfolios will drop. In 2008, though, we ended at the very bottom of the ranking for fund performance.

The year 2008 was very educational for us, and we would be pleased if other investors could learn the same lesson as we did from our experience. Large losses need to be avoided at all costs. One bad period can wipe out years of hard-earned gains. This can be seen also in our results. In the 13 years of our existence, we had 1 year with a dramatic decline and 12 years through which we have made our shareholders more than eight times the invested amount (729 %). One year at the tail of the peloton and 12 years with results the likes of which would be difficult to find among other funds anywhere in the world. Even one very bad year, however, is enough permanently to invalidate an entire history of results. It can be argued that previous history is irrelevant for investors who started investing with us only after 2008, and some might even consider it an advantage for the future that we already had acquired this hard-won experience. There might be some truth to that, but, trust me when I tell you, we would rather not have gone through it.

We are by far neither the first nor the last investors to have lived through something like this. Even Benjamin Graham, the father of value investing, Buffett's mentor and teacher, and an exceptional personality from whom many great investors draw inspiration and guidance to this day, recorded an approximately 90% drop in the value of his portfolio at the turn of the 1920s and 1930s. It seems almost unbelievable, but perhaps this experience of Graham's contributed substantially to the formation of his views, to books he wrote, and also to helping him achieve excellent investment results through the following 25 years of his career.

The year 2008 was perhaps a similar impulse for us. Our yield to date is 346.6%. The MSCI World stock index return for the same period is 115.5%.

What can you do as investors to avoid dramatic losses? There is no simple answer, but even the fact that you will be thinking about this necessity is a step forward and that is why we are sharing our experience with you. It definitely is wise not to get in a hurry, to be patient, to think for the long term, and not to go into things you do not understand. The year 2008 was a great lesson in humility for us. May it also be a lesson for every investor who read this through to the end. Good luck.

Daniel Gladiš

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