

Value Investing

# Swimming Against the Current in Today's Sea of Sameness

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**“Good investing requires a weird combination of patience and aggression. And not many people have it.” - Charlie Munger**

The financial services landscape has been reshaped over the past decade by a pronounced shift from active investment strategies to passive investment vehicles, particularly in mutual funds and index funds. As documented by recent CNBC coverage, passive investing has now surpassed actively managed assets in stock, bond, and other funds for the first time. Investors appear to be shying away from actively managed investment solutions. Is this really their intention or do they simply lack options to help them manage the diligence, complexity, and discipline needed to outperform the market?

As the investment products marketplace has moved toward passive vehicles, financial advisors find themselves constrained in the recommendations they have to offer clients. With the

expansion of standardized, index-tracking products, what was once a diverse range of investment options has narrowed, creating a very real “differentiation problem” for advisory professionals. Consequently, advisors face a challenging competitive landscape where their primary selling point can get muddled and lost in the nuances of financial planning, holistic wealth management, and client relationship management, rather than shining through based on the strength of their investment selections and record of superior performance — which, over time, is the only kind of evidence that’s truly capable of cranking up the word-of-mouth flywheel effect for new client acquisition.

## THE CASE FOR VALUE INVESTING

For investors and advisors who want to do more than go with the flow of large passive funds and other widely held vehicles, value investing provides a differentiated option that can be used broadly or as an effective bolt-on strategy, depending on the specific objectives and investment profile.

While mutual funds (ETFs) and index funds may offer ease, comfort, and familiarity, there’s an inherent challenge in the difficulty of consistently outperforming the market when many advisers are essentially investing in the same kinds of opportunities. Value investing’s disciplined focus on undervalued or overlooked companies presents a compelling proposition as these companies often carry more upside potential compared with their better-known counterparts (for which positive expectations of future performance are already “baked in” to current pricing.)

Furthermore, value investment is rooted in the fundamental analysis of companies, emphasizing factors generally attributable to long-term strength such as strong balance sheets, sustainable competitive advantages, and competent management teams.

But here’s the kicker: although the merits and principles of value investing provide the makings of a powerful strategy in today’s cookie-cutter marketplace, its implementation requires

exceptional people, experience, and processes to execute effectively.

Howard Marks, the noted author value investor put it this way,

**“There’s only one way to describe most investors: trend followers. Superior investors are the exact opposite. Superior investing... requires second-level thinking—a way of thinking that’s different from that of other, more complex and more insightful.”**

And what are the qualities and capabilities that enable that level of thinking and execution? The answer is something I’ve been studying and building on since I first started in this business in 1987. So much so that, in 2007, I set out to build a different kind of firm to focus on the form of wealth creation that I believed in, wholeheartedly, for my own family. Let me tell you about it.

**GVIC: DEPLOYING PATIENT CAPITAL TO BUILD GENERATIONAL WEALTH.**

Our firm, Global Value Investment Corporation (GVIC), operates globally based on the same Midwest values we started with back in Milwaukee in 2007. Simply stated, we deploy patient capital to build generational wealth.

We invest in equity (stocks) and debt (bonds) securities, taking an active role when necessary to deliver value for our private clients (individuals and families); institutional clients (RIAs); and accredited investors (family offices, pension funds, endowments, and foundations).

We’re a unified team of deeply curious long-term investors who conduct intensive fundamental research to identify and invest in undervalued companies.

Our experience informs our analysis, but we also respect disruption and the prospect of a novel future; because as Mark Twain observed, “History doesn’t repeat itself, but it often rhymes.” We

engage with the senior management teams and boards of companies to thoroughly understand their businesses, and in some cases advocate for improvements and changes to accelerate growth and unlock value.

What makes us different is that as investors of what we call “patient capital,” we maintain a long-term horizon and invest in a tightly focused, deeply analyzed set of

opportunities as opposed to portfolios with large numbers of holdings that are common in the marketplace. We are extremely curious, creative, and contrarian thinkers who revel in the seemingly lost art of due diligence and deep financial analysis. We believe our research process and activism provide unique guidance for, and insights into, the companies in which we invest, enabling us to deliver superior risk-adjusted returns to our clients.

**EXPECT FROM US WHAT WE EXPECT OF OURSELVES**

Most promises don’t mean much, and meaningful ones are hard to come by in the investment world. However, based on our firm’s values, the underlying drivers of our team’s character, and the consistent areas of feedback we receive, there are some notable, recurring points of differentiation that clients can and should expect from our team. Here are five of the more prominent characteristics that distinguish our firm:

**Exceptional Analysis of Numbers (and Words)** — From the start, you’ll notice that the companies in which we invest are not household names, and that’s the point. We are exceptionally good at identifying and aggregating

undervalued, overlooked companies with high intrinsic potential. We’re mindful of value (and obsessive about not overpaying). As such, we’re not content to scrape the numbers; we want to understand the words that go along with them. We read regulatory filings and other public material voraciously. We pay attention to what’s being said and how. We question why it’s being said that particular way, and we look for items of interest that might otherwise slip by and go unaddressed. We go beyond data and filings to engage in substantive conversations with management, recognizing that businesses are run by people who possess varying management styles and abilities (and who can change over time). We believe these frequent, recurring conversations with the people running the business create an information advantage for us and our clients.

**Boots On the Ground** — There’s a lot that can be efficiently covered at a desktop, over the phone, or on a video call, but we believe there’s no substitute for physical, in-person engagement. We ask investors to count on us to have the most deeply informed understanding of the companies we select. So, we put “boots on the ground” to visit management offices, field operations, and customer-facing facilities. We meet with management teams and frontline employees to get answers, observe processes in action, and assess critical areas such as supply chain efficiency, the use of technology, and the quality of the customer experience.

**Differentiated Thinking** — Identifying the intrinsic value of a company is not just about having information; it’s about gaining an understanding that’s different from what the rest of the crowd sees. We subscribe to the benefits of “thinking fast and slow” as pioneered by Daniel Kahneman. It underscores the importance of incorporating both intuitive, rapid decision-making processes and deliberate,

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analytical reasoning when evaluating how a company is likely to trade and perform in the marketplace. We believe our team's uniquely inclusive and open-minded style of thinking enables us to make sound judgments that transcend superficial trends and reveal deeper insights into the underlying drivers of business success in the continually evolving marketplace.

**Direct, Unrestricted Access** — Our clients of all sizes and investment levels get great utility and satisfaction in having the value of a “speed dial” relationship with our team. They appreciate the lack of layers within our organization, and they frequently take advantage of their ability to talk directly with members of our team, including those who formulate our analyses and investment theses. They respect the fact that we speak with a single, unified voice, and that our positions and analyses are never arrived at loosely, but arrive already tested, argued, and vetted through rigorous, thoughtful internal debate to reach consensus before they get to any outside audience.

**Midwest Values** — Clients tend to quickly note and appreciate elements of our people and culture such as integrity, hard work, and genuine care for others that can perhaps be summed up as our “Midwest Values.” Although we now operate across the North American continent and overseas, these qualities are simply part of who we have been since our early days in Milwaukee. Our desire to maintain these qualities for the next 100 years has influenced our hiring process, training efforts, and management practices. We hire highly curious and coachable employees who are self-motivated to be engaged, energetic, and well-informed in serving our clients. We're committed to consistent

transparent communications, avoiding exaggerations, and ensuring that our investment results are clearly presented. Moreover, our team maintains a continuous improvement attitude, proactively addressing negative results and missteps when they occur and constantly refining our efforts to help ensure that they're not repeated. We work to project clear, articulate, fact-based statements and opinions, while remaining open-minded to being persuaded by others after thoughtful discussion and well-reasoned analysis. Employees are encouraged to invest in the same securities we recommend to clients with a “skin in the game” mindset. Lastly, our team embodies what some clients have termed “pleasant persistence,” demonstrating resilience and dedication to anticipating and serving the needs of our clients whose schedules are extremely tight and prioritized toward tending to their own clients' needs.

These are just a few examples of work we are doing to provide the marketplace with a truly remarkable value investment experience. Working in these ways, clients find that over time we become so essential to their workflows that we begin to operate as a very personalized extension of their firm, adding levels of sophistication and competitive uniqueness to their core offering. Through this disciplined and contrarian approach, we work to deliver superior long-term returns for patient investors willing to withstand market fluctuations and stay committed to their investment thesis. In a world where market euphoria and speculative fervor often dominate investor behavior, our approach offers a rational alternative for sophisticated investors seeking generational wealth creation over the long term.



### ABOUT THE AUTHOR

**Jeff Geygan** founded Global Value Investment Corporation in 2007 to deploy patient capital and build generational wealth. He also serves on the boards of Rocky Mountain Chocolate Factory (NASDAQ: RMCF) and Climb Global Solutions (NASDAQ: CLMB), for which he is a Chairman. A recognized authority on investing, Mr. Geygan is an Advisor for both the University of Wisconsin-Madison Department of Economics and the University of Wisconsin-Milwaukee Investment Management Certificate Program, and has taught at the College of Charleston and IE University Graduate School of Business in Madrid. After beginning his career in 1987 with Shearson Lehman Brothers (now part of Morgan Stanley), he later joined UBS in 2002 before founding GVIC. A native of Pittsfield, Massachusetts, Mr. Geygan was raised in Milwaukee, and now resides in Charleston, South Carolina.

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