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"When art critics get together they talk about Form, Structure and Meaning.
When artists get together they talk about where you can buy cheap turpentine."
— Pablo Picasso

Dear Partners and Fellow Investors,

Our return on capital in 2016 was 20.5%. Currency effects had a positive impact on our returns by roughly 2% in 2016*. Our total assets which are comprised of cash and investments were on Dec 31, 2016 worth [xxx] SEK.

Below are the pre-tax returns after all costs since the start of the partnership on Jan 1, 2013. Re-invested dividends are included in both the partnership and the OMXS30 returns. As Avanza Bank offers Avanza Zero, a fund that mimics OMXS30 returns including dividends and charges zero fees, the OMXS30 column shows returns after all costs as well.

	Zen Capital Partnership	Limited Partners	OMXS30	Difference	100 000 invested on Jan 1, 2013
2013	41.0%	30.8%	25.4%	5.4%	130 800 SEK
2014	45.0%	33.8%	13.6%	20.2%	175 010 SEK
2015	35.1%	26.3%	2.5%	23.8%	221 038 SEK
2016	20.5%	15.4%	9.1%	6.3%	254 892 SEK
Overall Gain	232.9%	154.9%	59.3%	95.6%	154 892 SEK
Compounded Annual Gain	35.1%	26.4%	12.3%	14.1%	

* I think it's a good practice to deduct currency effects when evaluating our results. But if you want to compare our results to an index you should adjust for currency in the index as well. For example, in 2016 the OMXS30 return in SEK was 9.1% including dividends as showed in the table above – but expressed in USD it was below 2% as USD strengthened a lot versus SEK. I don't believe currency effects will have a material impact on our returns over time and as I have said before there are no plans to hedge our currency exposure as I believe the costs of hedging outweigh the benefits.

A Review of the Past 4 Years

Our absolute gain in 2016 was just shy of [xxx] million. After having started this little investment operation with a total of [xxx] in January 2013 with a little more than half from me and the rest from my mother – as I'm writing this, our total capital has just surpassed [xxx] million and our accumulated after-tax profits now comfortably exceed [xxx] million. The implicit cost of my and Larisa's 2006 Toyota Avensis that we bought in the second-hand market in late 2011 is now equal to that of a brand new 2016 Toyota RAV4 Hybrid (including the Executive add-on package). That's what compounding can do to you. If there are any RAV4 owners out there willing to make the switch, please give us a call. If you don't have the Executive add-on, that's ok too.

Some of our winners over these four years include Amazon, Amerco, Apple, Fiat, Micron Technology, Strayer Education and VeriSign in the U.S. along with Fortnox, NGS Group and Opus Group in Sweden. The key to the good results, however, is that a similar list of our losers would be almost empty. Our focus has shifted more and more toward the Nordic countries as I find it much easier to spot and understand a company's competitive advantage when you are more familiar with the market and can try the products and services hands-on. Home-court advantage helps.

As you know, some of this partnership's capital along with funds from my nine co-founders has now been invested in the newly founded investment company River Oak Capital AB where I am the CEO (there was a name conflict for Zen Capital AB so we had to change the name). The rest of this letter is written with you my family partners, you my River Oak co-founders, and future potential River Oak investors in mind.

While our returns have been good so far, we haven't been tested over time yet. There are probably many investment operations that are able to show very good results over the past four years as the markets have been steadily rising. As Howard Marks expressed it:

"A good builder is able to avoid construction flaws, while a poor builder incorporates construction flaws. When there are no earthquakes, you can't tell the difference."

For example, in Sweden many millionaires have been created through the purchase a couple of years ago of a very small amount of Fingerprint Cards stock. A 27,000 investment five years ago would – despite the recent 55% drop in its share price – leave you a millionaire today. But will a similar investment bear any fruit over the next 5 to 10 years as well – will another FC company come along and if it does, will you be able to spot it in advance?

The real test is if our strategy will prove to be sustainable over time. I do believe that our process is sustainable and will continue to produce good investment ideas – future will tell if I'm right. The returns, however, are a different story. As I have said before I don't believe that 35% returns on capital is sustainable over any longer period of time. Future will tell here as well but either way we will do well to remember Charlie Munger's observation that '*pleasant surprises are always easy to handle*'. By maintaining reasonable expectations and a humble mindset – despite the recent great but quite likely unrepresentative years – we give ourselves a good chance to be on the pleasant side of future surprises.

Politics

I didn't plan to include politics in this letter as it is not a big factor in our decision-making but a couple of words felt warranted. If you are tired of politics after last year's grueling election, feel free to skip the following two pages.

I wrote a memo with some thoughts on the election in November in which among other things I discuss why we don't make investments based on any beliefs I might have regarding macro events. In fact, I'm certain that our returns would be a lot worse over time if I tried. You not only need to be right on the outcome of a specific event which by itself is very difficult – but also on the market's reaction to it. The outcome of the election and the subsequent market reaction clearly demonstrated the difficulty of that. [*Note: You have perhaps noticed how many more people there are today saying that it was obvious that a Trump win would be positive for the markets than there were before the election*.]

In the memo I also discuss how a swing of 54 000 votes in three crucial states (less than 0.4% of total votes in those states) would have led to a different outcome. President Trump likes to say that he is very proud of his huge victory in the Electoral College. If you peel back some layers of the onion, you find that the allegedly huge victory is anything but.

I think it's very worrisome that the newly installed administration knowingly (and sometimes perhaps unknowingly) spread false information. When a counselor to the president was recently confronted with some obvious misstatements that had been made, she claimed that their statements were so-called "alternative facts". If that is not an oxymoron, I don't know what is. The investment equivalent would be the CEO that, when confronted on why her company had such big losses, explains that they were indeed not losses but rather negative profits.

There seems to be a misunderstanding within parts of the Trump administration about what the word 'fact' actually means. I am not trying to be funny – they fairly regularly mistake feelings for facts. It all starts with the leader and feelings are a big thing for President Trump. He is actually on record saying that his net worth depends on how he *feels*. In a court case in which Mr. Trump sued a writer for defamation, he was asked by the writer's lawyer if he had been completely truthful in his public statements about his net worth.

He answered: *"My net worth fluctuates, and it goes up and down with markets and with attitudes and with feelings – even my own feelings – but I try."*

The lawyer pressed on and asked: *"When you publicly state what you're worth, what do you base that number on?"*

Trump responded: *"I would say it's my general attitude at the time that the question may be asked. And as I say, it varies."*

You may or may not like how the Obama administration did during their eight years in power. But you never had to question President Obama's respect for the truth. With a month into the Trump presidency you not only question it – it's absolutely clear that Mr. Trump's attitude toward the truth is very different. Feelings have become "facts" and facts have become "fake news" and "opinions".

Considering the very wide range of issues you are asked to address as a politician, it is no doubt impossible to know all the facts in all areas. While staying quiet or uttering the three magic words that you never ever hear a politician say – "*I don't know*" – would be the right thing to do in many cases that doesn't score you any points with voters. And so the temptation to say something – true or not – is big and an impulsive personality sure doesn't help.

Furthermore, what is now the world's most well-covered Twitter account with a rate of seven tweets per day recently proclaimed "*Any negative polls are fake news*" and a couple of days later went on to call five of the country's major news outlets "*the enemy of the American people*." Usually when you hear this type of sentiment from a government it is accompanied by the discrete removal of the institution behind such polls. It's hard to believe that these types of claims are now coming from a sitting U.S. president. I guess all this would make for great TV... if it wasn't a true story. I don't think Trump is without some good ideas but to me they are so far overshadowed by all the lies, his sloppiness in getting the facts right and troubling rhetoric. I sincerely hope it gets better from here but I wouldn't bet on it.

A political argument is usually about how and where a country should allocate its resources. The argument is most often a matter of a difference of opinion. In some cases however, you can, based on the available facts, say that one side is right and the other is wrong. But when it comes to voting this doesn't matter; the person that is wrong and the person that is right both get one vote. And when there is no right or wrong answer, it's not the case that the person with a university degree that has spent his whole life reading about politicians and public policies gets more voting power than the person that plays video games 18 hours a day and has never read a book in his life. Lee Kuan Yew, the late former Prime Minister of Singapore, early on in his career made the following observation on democracy which has become more topical not just in the U.S. but around the world lately:

"So long as you run one person one vote the easiest appeals that can be made are the simple emotional ones, not economic development and all these other things they do not understand, but simple things: like pride in race, in language, in religion, in culture."

People appreciate straightforwardness and easy answers (even when there are none) and I think that showed both in the Brexit vote and the U.S. election.

But perhaps most fitting to explain how an underdog candidate like Trump was able to overcome 16 other Republicans and then Clinton is President Roosevelt's remarks about one of his successful generals: "*Never underestimate the man who overestimates himself.*" Perhaps a healthy dose of hubris is not all bad? I'm actually serious. But please note that I say *healthy* dose.

As investors, our job is (thankfully) not to set – or opinionate on – public policy; it is to *adapt* to public policy. So far we haven't made any changes to our portfolio based on the election outcome.

Consuming Information

Another popular topic in 2016 was the rise of fake news. As an investor, gathering and processing information is essential so I thought I'd address the issue from my point of view.

When a financial report or material news about a company we are interested in comes out, I always start with the source material, assess it and make my own conclusion before reading any news reports or considering anyone else's opinion on it. Elon Musk recently expressed my view on this very well in reference to one of the recent executive orders put out by the White House: "*Reading the source material is much better than reading other people's opinions on the source material*." Of course, sometimes the first-hand source will intentionally (or unintentionally) put out false information which one need to be alert for. Today, with all the different online tools out there and the ease with which anyone can now share their version of the truth or pure falsehoods to a very wide audience – reading the source material first has become more important than ever. The need to be alert for false information has as well.

When it comes to investing, we must always invest based on our own opinions and conclusions, not on anyone else's. Otherwise, what will we do when the market is falling and we are in dire need of insights and that other person is not there to provide them to us? We must always trust our own analytical ability. If we feel that we don't know enough to form an educated opinion on an investment – or a political matter or anything else – we should either learn more about it or move on. Remember President Lincoln's advice: It is better to remain silent and be thought a fool than to speak out and remove all doubt.

In business reporting, we want the meat. Some companies have the habit of including a lot of meaningless "information" in their communications such as "*We will continue to leverage our business model both in emerging and developed markets.*" (The political equivalent: "*We will create jobs for everyone*!") Tell me, what did you learn about what the company is actually going to do by reading that statement? In what ways will they leverage their business model? Which markets will they prioritize? With public statements like this, you have to ask yourself if you believe that their internal communication is any clearer. If it's not, will the employees understand the company's vision and even their own tasks? If they don't, will the company as a whole get anything meaningful done?

There is also a final point I'd like to make in this section. During the year a friend and I watched an interview where the interview subject was clearly exaggerating some numbers regarding a company. My friend pointed out that we know that the interview subject (like most people) has a certain way of presenting his point of view and that one has to normalize for that while still acknowledging that there may be a good point in the *normalized* data.

When assessing the thoughts and opinions of others, it's crucial to properly adjust for the personal bias of that person – especially if he is you!

To summarize: Always read the source material, be alert for false and irrelevant information, always draw your own conclusions, be aware of biases (especially your own) and perhaps most important: Don't be afraid to say "I don't know."

Our Investing Principles

In investments you only get paid for what you actually do. You don't get to say: *'In 2016 we made X million and we also had three great ideas.'* The three great ideas do not add any percentage points to your returns or dollars to your bank account.

Our actionable ideas have come exclusively from studying microeconomics, i.e. company financials and industry economics. Staying away from macro news and how markets move thus conserving a lot of time and energy to focus on the *more* knowable microeconomics (note that I don't say *fully* knowable but *more* knowable) is probably the one thing that has helped us the most over the years. Below are the three other main principles that I believe have been the most important factors behind our good results.

1. Be Content with Moderate Gains

My favorite mantra in investments since early on has been "*Be content with moderate gains.*" I found it in the first book I read on investments. I don't know why it resonated so strongly with me at a time when I knew nothing about investments but it did. In the worst case, I figured, I'll end up with moderate gains. That sounded pretty good to me.

You might be surprised to learn that the person who said it was Warren Buffett. In running Berkshire, he has obviously had more than moderate gains. I figured that if the investor that arguably has the most accumulated investment gains in the world has such a cornerstone in his philosophy, there is likely more to it than what you see at first glance.

I think the primary benefit is that this mindset helps keep you away from big losses and the terrible effects they have on the 8^{th} wonder of the world according to Albert Einstein: compounding. Another is that being able to sleep well and think well is paramount. This is in my view much more important than any potential profits you might forego by being okay with moderate gains. And if you're not, when will you ever be satisfied? There will always be 'more'.

Inevitably, over the years some situations have come up where my two alternatives were quite a close call and the best course of action was not immediately clear. In these cases my guiding principle has always been to be content with moderate gains which lead me to always go with the more cautious alternative. This has sometimes led us to missed gains but also, and much more importantly, kept us away from big trouble. For River Oak Capital, it will always be a higher priority to be here in 10, 20 and 30 years than to have a chance to be the hero in any one year. It's too much fun to be in business. I'd rather be here in 30 years with a decent record than not at all.

The only argument against this is that you might not get to kiss the prettiest girl. But as I was lucky enough to meet her before I started investing we are out of good reasons – and as an obvious corollary, so are you. To be clear, this mindset does not prevent you from achieving significant gains as evidenced by Buffett's record at Berkshire. Rather, I think it serves as a great mental starting point.

2. High Concentration

I believe one of the few true edges you can have in investing is to do what everyone else is not doing. How can you ever perform better (or worse) than the average if you are doing what everyone else – the average – is doing?

As mentioned above, zooming out from the daily news and gyrations of the market and instead use that time and energy to think independently within your own developed frameworks, along with the mindset to be content with moderate gains, are two of the things that I believe are truly unusual in the investment business. Another unusual trait is high concentration. And by this I mean having a portfolio where the majority of capital is invested in your absolute best ideas. In our case this means a total of seven companies or less.

The world is and has always been a risky place. Still, over the past 90 years since the S&P 500 index was introduced its average annual return has been approximately 10%. The average difference however, between a year's highest and lowest close has been 23%. Zen Capital's average difference between a year's highest and lowest close has been closer to 40%.

From time to time when discussing our strategy and our high concentration in particular, I get criticized about the risk we must take on because of the inevitable volatility that comes with a highly concentrated portfolio. While I then try to explain that the volatility of a portfolio has absolutely nothing to do with the true risk of a portfolio unless you have a very limited time horizon – given the limited success I have had in convincing people about this – I am considering to soon revise my tactics to those of another investor that I once worked with. He employs a strategy similar to ours and he once got the same critique. At the time he had generated 30%+ returns over a multi-year period. His response was that while it was certainly true that he had had a lot of volatility over the years "*most of it was upside volatility*."

The argument against high concentration is usually that it entails the risk that if one or more of your companies fail, that alone will cause a sharp decline in your portfolio whereas when you diversify no one holding can hurt you very much. While this is clearly true, it is also true that when you diversify you need to be roughly right on very many companies whereas with a high concentration you need only to be roughly right on very few. It stands to argue that the latter is easier.

Diversifying a lot or indexing is great if one is not sure what one is doing. But, if that is the case, it seems like an even better idea to try to figure out what one is doing. If you're not very interested in figuring that out and are happy with average performance – which in investing will still give you great results over time as compounding will do the work for you – diversifying a lot or indexing is indeed a very good idea. Indexing is even very likely to give you slightly better than average results as most active investment operations underperform the index after fees and expenses.

But if you're aiming higher, my firm belief is that you must dare to concentrate on your absolute best ideas. This is true for investing as well as for most other things in life. Can you imagine where your marriage would be today if you had not focused on your best idea? Or where Apple would be if Steve Jobs had tried to run 20 other companies simultaneously to running Apple? As Jobs famously said himself he is most proud not of all the things Apple did but of all the things they didn't do. All the no's was what enabled them to focus on and perfect their best ideas. Developing the ability to say no a lot is crucial.

Perhaps the most important benefit with a highly concentrated portfolio is that it goes a long way towards keeping things simple. I have seen many investment operations that have made some brilliant predictions – still, their returns are meager because their overall strategy is so complicated and predicated on too many hard-to-predict events going their way. Buffett once expressed this problem very eloquently:

"*Degree-of-difficulty doesn't count. If you are right about a business whose value is largely dependent on a single key factor that is both easy to understand and enduring, the payoff is the same as if you had correctly analyzed an investment alternative characterized by many constantly shifting and complex variables.*"

3. Patient Preparation

In 1974, Frenchman Philippe Petit spent 45 minutes on a high wire walking back and forth between the recently built World Trade Center skyscrapers. At 400 meters above the ground with no safety ropes, he crossed the void eight times; at one point lying down on his back resting on the wire, then kneeling, looking down and saluting the people that had gathered in the New York streets beneath (I get slightly dizzy just by writing this).

The act itself lasted less than an hour but Philippe spent six years planning and preparing for this particular walk. Besides that, he spent most of his adult life working on his wire walking skills. Few people will ever be able to reach such an extreme level of focus as Philippe (not to mention overcoming the slight height issue) but there is a lesson we can all take from this marvelous act. If you're striving to be able to perform at a very high level, in high wire walking or in any other craft, you will spend most of your days honing your skills to prepare for the few days when those skills will really matter. To be able to do that day after day, you need to love what you do.

Furthermore, when those days come, if you have done the work, they will feel just like another day at the office. When Philippe walked back and forth on that wire it no doubt looked extremely risky to any sane person (and it sure was) while Philippe was dancing around as if he was on the ground. The same can be said about Buffett when in his early years he put 75% of his net worth into a then small and unknown insurance company. While it probably looked like a suicide mission to the casual observer, a very large investment in GEICO obviously didn't look like a risky proposition at all to Buffett.

What does all this have to do with us? I have no plans to ever walk on a high wire but I like to believe that our ratio of preparation to action is quite similar. For us, the equivalent of Philippe's six years of preparation and 45 minutes of action, is that I typically spend a couple of months or years looking for and observing companies to invest in along with reading and learning about different industries, then there are a couple of minutes of action when I make the actual purchase of the shares for us and then it's back to the learning and observing along with the occasional meetings. I can understand if this does not sound exciting to everyone. For me it truly is. Most of the fun and all of the value is in the reading, thinking and analyzing.

Our Investing Standards

Early in 2016, I made the decision that we will not invest in companies that operate in industries that I believe are not, on an overall net basis, helping or providing good for its customer base. Casinos, gambling sites, most lotteries and companies in the tobacco industry are such examples. We also won't invest in companies that operate within the guns, weapons and military industries.

We have never invested in the latter categories but a couple of years ago we invested in one online gaming company which was definitely not providing something overall good for its customer base. At the time I had my hands full learning and figuring out a firm investment strategy for us so while I on some level knew it wasn't an investment to be proud of these types of questions weren't top of mind. Yes, it's a bad excuse but it's also the truth. Once I felt that our strategy was becoming more firmly set I started to think more about this and realized that certain industries are not places where I want us to be investing.

It should be perfectly obvious to anyone that a casino or a lottery is set up in a way so that its customers win just often enough so they remain excited and want to come back, but are ensured to lose money over the long run. Because of this and their focus on exploiting human addictions, these companies are usually pretty good businesses in terms of their economics and predictability. In 2016, the Swedish gaming industry's net revenues – that is, after payouts for player winnings – were SEK 22 billion. While there is nothing illegal and some would say nothing immoral with running such operations we have chosen not to support these types of companies. There are so many companies around the world that are available to invest in so we can easily afford to exclude the above categories from our selection universe.

The decision to stay out of these companies has hurt our returns but I have no doubt it was the right thing to do for us. Benefiting out of other people's misery is not how I want to make money. You might say that if we don't do it, others will. Sure, that's up to each and every one to decide. Our criteria are clearly subjective, and some people will not agree with them. That's ok. I am not saying that our point of view is the right one; I am only saying that it is *our* view. If you are considering joining us at River Oak Capital, I want you to be informed about what we do and what we don't do.

Our Investments

Our main contributors in the second half of 2016 were, fittingly for me, the companies I discussed in my previous two letters – Fortnox and Fiat. Our other companies, which were four to start and five to end the year, in aggregate, almost did not budge. As mentioned in the beginning of the letter, I believe the key over these four years has been that we have not had any big losers – but it has also been that every year we have had one to three investments perform well for us in combination with a very concentrated portfolio. Our goal, which we have attained most of the time, is to be closer to a total of five investments rather than ten.

Interestingly, our two main contributors are pretty much polar opposites in terms of their businesses. Fortnox has a very strong moat, high margins, require minimal working capital and is growing rapidly. Fiat has a moat only around some of its brands like Jeep and Maserati, low margins, require vast amounts of working capital and its revenues are currently not growing (although its margins and profits are). As you probably know or have perhaps guessed by now, Fortnox earnings are valued a lot higher than Fiat's by the market and rightly so. So what are we even doing in Fiat in the first place? The answer is valuation. Some companies are not good investments at any price, but most companies are good investments at some price and bad investments at another.

Fiat Chrysler Automobiles

CEO Sergio Marchionne has done a brilliant job since Fiat acquired the last part of Chrysler in early 2014. While stable demand in the U.S. and a shift in consumer preference from cars toward trucks and SUVs have helped there has also been many costly recalls.

When we invested in Fiat in 2014 its revenues were around €90 billion, its margins were just above 3% and net debt was around €10 billion. As 2016 closed, revenues are around €110 billion, net debt has been cut in half and margins and profits have almost doubled. This was achieved even though Ferrari, Fiat's most profitable unit with pretax profits of around €500 million or about 10% of Fiat's total profits, was recently spun off.

As a result, the share price has appreciated around 70% from our average purchase price for an average annual gain of ~21% over our almost three years of ownership. This return is including the Ferrari spinoff in which we received one Ferrari share for every ten Fiat shares we owned, but not adjusted for currency effects which have been favorable. As the Ferrari share price was around $45 at the time of the spinoff, it was worth around $4.50

per Fiat share (~40% of the current share price) to us. We sold our Ferrari shares as soon as we received them. While the return on our Fiat investment has been good, and even great adjusted for currency, it has so far been a drag on our overall returns.

We prefer to invest in businesses that anyone can run where we aren't dependent on a CEO of Marchionne's caliber and so our exposure toward these types of businesses will continue to be relatively small. For us, finding the right business is more important than finding the right multiple. It is also much more enjoyable. That said finding both is the best.

Despite the roller-coaster ride that Fiat's share price has been on over the past couple of years it has been easy to sleep well in the back of the camper with Sergio behind the wheels. I think he handled the recent EPA charge just as you would want: upfront with an immediate interview and transparent in explaining the actual issue. He has confirmed that he intends to retire from the top position at Fiat (and Ferrari) by the end of 2018. If he ever decides to take up another CEO position in a public company, expect me to take a very close look.

Fortnox, Software Companies and Online Based Companies

At Fortnox a Marchionne-caliber CEO would almost be a total waste – Fortnox is one of those few businesses that would do well under almost any CEO. I wrote in detail about Fortnox in the last two letters and while the share price is now materially higher those views are largely unchanged. The return on our Fortnox investment from the time of our first purchase up until the Visma acquisition offer in March was 54%. Since we bought back the shares when the acquisition offer was rejected by the Swedish Competition Authority in June our return has been more than 110% (I have sent a thank you card to the SCA). As these returns were both achieved in less than a year our average annual gain is even higher.

It's fair to say that our current portfolio has a bias toward companies that either sell software or have some competitive advantage due to using software as their main platform, i.e. being online based. These are areas with good and sometimes great economics. And more importantly, it's areas in which I can understand competitive advantages reasonably well.

The financial costs and manpower needed to build good software are usually large. But if you manage to build good software that people get value out of and manage to reach break-even, the subsequent economics can become great. The margins on another sold license are close to 100% so profitability can take off very quickly once break-even volumes are reached. This sometimes takes the market by surprise which can make for good opportunities.

In running Nutris I have seen first-hand both the challenges of the former and the potential benefits of the latter. I don't know if I will ever undertake being part of building such comprehensive software again but I know I am happy to support and invest in the right one. A benefit of being the investor in software instead of the entrepreneur is that you have the option to invest only in already profitable companies where the inevitable initial operating losses are history and proof of concept has been confirmed long ago. This might not be as fun and the upside is naturally smaller but so is the downside.

All our current investments except Fiat and one more are in this category, i.e. software or online based businesses, and I expect that to continue in the future.

The Future

As an investor you often get questions like *'Are you not worried of X happening to that company or Y happening to that industry?'* The answer is usually yes. But the only way one can be 100% certain of anything is if it has already happened. And then the market price will usually reflect that which makes the insight useless. When we make an investment I always believe that the odds of a successful outcome is in our favor – that is, I believe the chance for success is at the very least greater than 50%, usually a fair bit greater than 50%. However, I am never anywhere near 100%. As investors, we have to live with making decisions based on incomplete information all the time.

Questions like these remind me of a story of the insurance agent that thought he was his firm's best agent because he had never incurred a single bad insurance deal. His boss saw it otherwise; if he never incurred any claims that were larger than the premiums received that meant he probably left too many deals on the table where the insurance premium warranted the risk. Just because you get the occasional failure doesn't mean it wasn't worth the risk.

There are as always plenty of things going on around the world to worry about. There are also many unknowable things that will come up over time that one could worry about. But by definition, no one knows what those unknowable events will be and there is nothing anyone can do to know them so there is no point in worrying about them. I'll borrow from Howard Marks again as I think he summed it up perfectly in a recent memo:

"There are no facts about the future, just opinions. No amount of sophistication is going to allay the fact that all of your knowledge is about the past and all your decisions are about the future."

It's healthy to be aware of potential future risks but it's very unproductive to go around and worry about them too much. It's much better to do the best with what you've got and have faith in humanity. In terms of your investments, to the best of my knowledge there is no insurance company that will underwrite an end-of-the-world risk – and if the end comes, I'm sure your investments will not be at the top of your list of concerns anyway.

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In an adult lifetime, you can roughly divide how you will spend your time as a third family and friends, a third professional life and a third sleeping.

I have been very lucky in the first part. As for the second part, I think continuous learning and improvement in areas that fascinate you, challenge you and force you to push yourself close to your limits is what professional life is all about. Doing it with and for people you like and trust as I get to do make it even better.

While there is a lot I don't know about the future, I know that I love doing the above which I look forward to continue to do at River Oak Capital. So if you ask me, the future looks very bright. This is not to say that I believe every year will be good in the world or in the markets. They won't. But every year is a chance to develop and make a positive contribution – and it helps enormously to start every day with a positive mindset. In determining the course of our lives, our mindset and choices have a far greater impact than our circumstances and abilities. Although it can sometimes perhaps seem naïve, I am and will always be an optimist as after 35 years I am yet to meet one successful and happy pessimist.

The sleeping part has been pretty uneventful but the other two have truly been an enormous adventure so far – with the recent addition of my and Larisa's second son, Charlie, to top off the first 35 years. I look forward to the future.

Feb 24, 2017 Daniel Glaser