

River Oak Capital

# Annual Meeting

April 25, 2021

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One year ago I said ...

# Imagine if media reports would provide this perspective

**”Markets down 30%  
in the past month ...**



**... and here are the  
S&P 500 annual returns  
since 1928”**

Year	Return	Year	Return	Year	Return	Year	Return	Year	Return
1928	43.8%	1947	5.2%	1966	-10.0%	1985	31.2%	2004	10.9%
1929	-8.3%	1948	5.7%	1967	23.8%	1986	18.5%	2005	4.9%
1930	-25.1%	1949	18.3%	1968	10.8%	1987	5.8%	2006	15.8%
1931	-43.8%	1950	30.8%	1969	-8.2%	1988	16.6%	2007	5.5%
1932	-8.6%	1951	23.7%	1970	3.6%	1989	31.7%	2008	-37.0%
1933	50.0%	1952	18.2%	1971	14.2%	1990	-3.1%	2009	26.5%
1934	-1.2%	1953	-1.2%	1972	18.8%	1991	30.5%	2010	15.1%
1935	46.7%	1954	52.6%	1973	-14.3%	1992	7.6%	2011	2.1%
1936	31.9%	1955	32.6%	1974	-25.9%	1993	10.1%	2012	16.0%
1937	-35.3%	1956	7.4%	1975	37.0%	1994	1.3%	2013	32.4%
1938	29.3%	1957	-10.5%	1976	23.8%	1995	37.6%	2014	13.7%
1939	-1.1%	1958	43.7%	1977	-7.0%	1996	23.0%	2015	1.4%
1940	-10.7%	1959	12.1%	1978	6.5%	1997	33.4%	2016	12.0%
1941	-12.8%	1960	0.3%	1979	18.5%	1998	28.6%	2017	21.8%
1942	19.2%	1961	26.6%	1980	31.7%	1999	21.0%	2018	-4.4%
1943	25.1%	1962	-8.8%	1981	-4.7%	2000	-9.1%	2019	31.1%
1944	19.0%	1963	22.6%	1982	20.4%	2001	-11.9%		
1945	35.8%	1964	16.4%	1983	22.3%	2002	-22.1%		
1946	-8.4%	1965	12.4%	1984	6.1%	2003	28.7%		

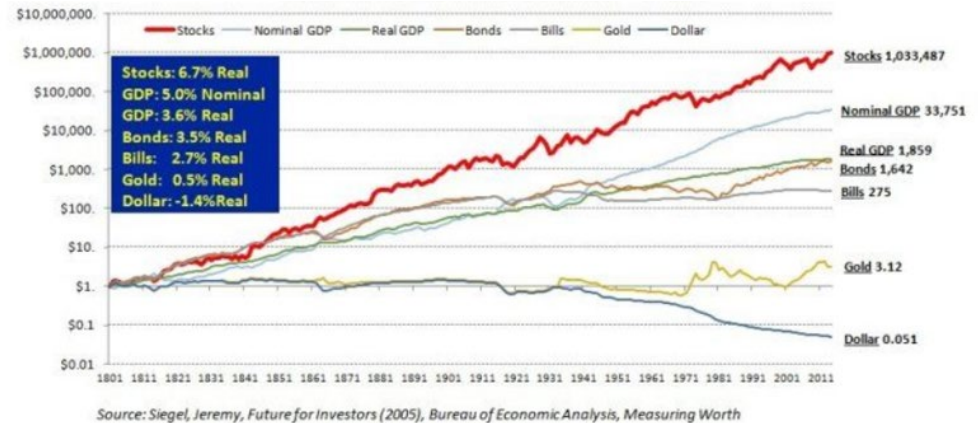
Source: [Charlie Bilello, https://compoundadvisors.com/](https://compoundadvisors.com/)

# ...or this...

”Markets down 30%  
in the past month ...



... and as always we show you the results  
for stocks over the past 215 years  
to remind you that in hindsight these  
periods tend to look like speed bumps”



Financial Assets in America Total Real Returns  
(1801-2014)

Source: [Jeremy Siegel, Future for Investors \(2005\)](#), [Bureau of Economic Analysis, Measuring Worth](#)

*“When something bad happens you have three choices. You can either let it define you, let it destroy you, or you can let it strengthen you.”*

— Theodor Seuss Geisel

# Results are in..

- Optimists have been right far more often

	Investment return (pretax)	Change in Book value per share	OMXS30 incl. div.	Difference
<b>2017 (from Feb 7)</b>	13.2%	8.6%	5.4%	3.2%
<b>2018</b>	0.0%	(6.0)%	(7.0)%	1.0%
<b>2019</b>	61.7%	50.1%	30.7%	19.4%
<b>2020</b>	104.0%	74.3%	7.4%	66.9%
<b>2021 Q1</b>	14.6%	11.5%	18.0%	(6.5)%
<b>Total gain</b>	327.8%	198.0%	62.5%	135.5%
<b>Compounded annual gain</b>	42.0%	30.1%	12.4%	17.7%

# Key success factors

- **#1 Goal: “Don’t lose money” mindset**  
Positive returns is the only other thing you can get if you manage to avoid losses.
- **Concentrated portfolio with less than 10 investments**
- **Long-term**
- **Focus on micro (not macro)**
- **Keeping things simple**
- **Global**
- **Permanent capital**
- **Great shareholder base**

River Oak has been designed to encourage calm behavior



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# Concentrated portfolio more risky?

- Our goal is above average results – which *requires* being different.
- Being different no guarantee for above average results ...  
... but it gives you a fighting chance
- So - is a portfolio of 8 holdings riskier than one with 50 holdings?

# **Exercise: Pick a team you can't change for the next 5 years**

**If your goal is to minimize risk, what would decide your picks?**

- Trust each person 100%
- Your respect for them
- Behave well towards other people
- Believe strongly in their future

## **Team**

- Husband/Wife
- Mom & Dad, brother/sister, kids
- 5 best friends/colleagues

**How about your best friend #28?**

- What was her husband's name again? What did he work with?
- Does she even have a husband?
- Do they still live in Stockholm or did they move to Australia?

## **Exercise: Pick a team you can't change for the next 5 years**

- **Your family and your best friends are on your team for very good reasons.**
- **There is a reason they are called “best” friends.**
- **Most of us simply don't have the time and energy to have 30 or 50 best friends.**

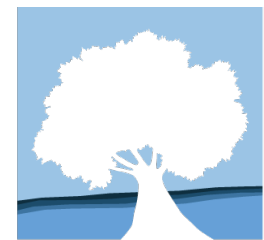
### **If you are minimizing risk:**

- **Going with #28 only makes sense if you are so unsure about your family and your best friends that you feel the need to hedge your bet on them.**

River Oak will keep being different.

# Thank you for listening.

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Capital