

BSVI - Investment policy statement

Date: 11/20/2022

Overview

- **About us:** We are a team of university students who are passionate about value investing.
- **Our portfolio:** We are thrilled to launch our first portfolio. We will provide you with active updates on the companies we follow, guiding you through our investment choices on BSVI's channels.
- **Where:** We have chosen to track our investments using FactSet Portfolio.

Investment Purpose

- **Long term strategy:** Patience and rationality are our keys to success. Our goal is to support valid businesses with a sustainable competitive advantage while compounding our modest initial investment through time.
- **Our benchmark:** Our goal is to achieve a 4x performance over the next decade, and more broadly, to outperform the S&P500. Due to our focus on underlying value, we don't expect immediate results, but rather that our strategy will prove successful in the long run.
- **Capital requirements:** we chose to start with 100 000 euros. We hope to prove that even with such an accessible sum, one could reach financial independence and potentially early retirement.

Investment Philosophy

- **Charlie Munger's quote:** "It is remarkable how much long-term advantage we have gotten by trying to be consistently not stupid, instead of trying to be very intelligent."
- **Think different:** what many fail to understand is that when buying a stock, you are owning a real company that runs daily operations on your behalf.
- **True Value Investors:** we invest purely according to a company's fundamentals. We don't only buy assets because they are temporarily underpriced and sell them when their value increases. Our goal is to hold our investments for several decades, because we know that our companies will keep generating returns.
- **Who we are our models:** Warren Buffet, Charlie Munger, Benjamin Graham, Joel Greenblatt and Mohnish Pabrai: these are just some of the many investors who inspire us.

Active asset Allocation

- **Initial allocation:** 100% cash
- **Target allocation:** >80% stocks, with the remainder between bonds, cash and whatever else fits our investment philosophy at that given time.
- **Position sizing:** Conviction-dependent, with initial sizing ranging from 5% to 20%.
- **Rebalancing:** Occasional, only because of significant changes in investment thesis.

Our Favorite Parameters

Although we tend to respect the parameters below, they are just indicative and there may be exceptions.

- **P/E < 25**
- **ROC > 10%**
- **Min Market Cap:** 200mln
- **Max Market Cap:** 200bln

Our Message

- **Ethical and moral:** we only invest if those firms are improving society rather than damaging it.
- **What you should expect:** Our belief is that the main idea behind investing is a win-win relationship between individuals who empower firms with great ideas to improve the world on their behalf.
- **The Coca Cola example:** to give an idea of what our objective is, think of when Warren Buffet bought Coca Cola in 1980s for an average price of \$6.50. By 2007, the company was earning \$3.96 pre-tax per share. The company was earnings annually more than half of its initial value.

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