

Snöboll Capital



Noah Snyder

Noah started his career in 2007 as an analyst for the family office of the Continental Grain Company. Next, he attended Columbia for his MBA where he participated in the Value Investing Program and was President of the Investment Ideas Club.

In 2012, Noah helped to launch Incline Global, an equity hedge fund that was backed by some of the world's most influential investors. Serving as its MD, Incline Global was a Barron's Top 100 hedge fund, and Noah was selected by Institutional Investor as one of its Hedge Fund Rising Stars.

From 2019-2023, Noah was a Sr Analyst at American Century Investments, a >\$225 billion manager, on its International Small Cap team and he focused on the Nordics, W. Europe and Australia.

Noah actively contributes as a mentor and guest lecturer in Columbia's Value Investing Program.

Editor's Note: This interview took place on March 29th, 2024.

Graham & Doddsville (G&D):

Hello, Noah. Thank you

so much for being with us today. Could you please walk us through your investment background and how you first got interested in investing?

Noah Snyder (NS):

Yes, definitely. I was born and raised in Chicago, where my family was in the scrap metals business for four generations. Yet, it was my father who taught me that the stock market was like a casino, but you could put the odds in your favor. From a young age, I started managing my own money and I was obsessed with trying to do just that. I started my career on the buy side at the family office hedge fund of the Continental Grain Companies called Arlon Group.

This was a phenomenal place to start because the firm had the benefit of permanent capital. This allowed me to focus on long-term fundamentals, rather than short-term factors. My stocks beat the market and I was already eager to launch my own fund. However, I still felt like there was much to learn and I followed in the footsteps of some greats, like Buffett and Graham. I attended Columbia Business School for my MBA, and I was selected to take part in its Value Investing Program. Columbia was a great opportunity as I worked with and learned from some of the best in the industry and I was elected President of the

Investment Ideas Club. As a way to pay it forward, I helped mentor classes in Columbia's Value Investing Program for several years.

After business school, I felt that the best way to prepare myself to launch and run my own fund, would be to help someone else build one from scratch. In 2012, I joined Incline Global just as the fund launched. It was led by Jeff Lignelli, an accomplished PM, and it was backed by some of the highest quality investors in the industry.

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As Incline's Managing Director, I helped lead in the development of its unique frameworks and its strategy, which allowed the firm to achieve outstanding results. I also learned a tremendous amount about building a best-in-class fund.

I believe that Frameworks, or mental models were key to the fund's success in its

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formative years and it was a Barron's top 100 hedge fund globally based on its performance. The fund grew to \$1 billion in AUM, and I was recognized by Institutional Investor as one of the 20 Rising Stars in the hedge fund industry. Yet I yearned for increased specialization. My investments in frameworks tied to great CEOs and programmatic acquirers were some of my best investments, but I felt that these frameworks could be even more powerful in less efficient markets.

In 2019, I joined American Century Investment's international small cap team where they had some of the most knowledgeable international investors in the world. I led the team's investment efforts in the Nordics, Germany, and Australia and it quickly became apparent that my frameworks tied to great CEOs and programmatic acquirers, were even more impactful in these niche markets. As rates started to rise in 2021, small cap and international stocks saw pronounced declines, and I realized the opportunity at hand. In 2023 I resigned from American Century to pursue my dream of building my own fund.

G&D:

That's an incredible background, Noah. Could you talk a little bit about how Warren Buffett and Charlie Munger have

shaped your investment philosophy?

NS:

Absolutely. First, Snöboll Capital's name was actually inspired by Warren Buffett. Buffett said investing in compounding businesses, "was like rolling a snowball down a hill: what starts as a small handful eventually grows bigger and bigger." Achieving this effect is the intent at Snöboll Capital. From Buffett, I have had some powerful takeaways. Focus on intrinsic value as the true north, stick to a circle of competence, make concentrated bets when odds are in your favor, and use size to your advantage. Lastly, the principle of treating investors like partners and carrying yourself with high integrity is also important to me. At the same time, I wouldn't call myself a "value investor" in the traditional sense. Stylistically we have gained more inspiration from Munger, who got Buffett to move beyond the cigar butt approach towards a focus on quality compounders.

Charlie Munger also inspired mental models and frameworks which are key to Snöboll's investment strategy. Munger said, "if the facts don't hang together on a latticework of theory, you don't have them in a usable form." Snöboll uses frameworks that we've developed over thousands of hours of case studies and over a decade of continuous

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improvement to develop our variant perceptions. So, I'd say Munger has been more inspirational for Snöboll Capital.

G&D:

Turning to Snöboll Capital, which was founded in 2023, it's a global long/short fund that invests in small and mid-cap stocks that are considered acquisition platforms. Could you tell us more about your investment strategy and the Snöboll Compounder Roll-Up framework?

NS:

Sure. I'm convinced that good process leads to good outcomes and Snöboll's investment strategy is like a "lollapalooza" where several small things combine to have a larger impact. First, Snöboll has a clear vision and a circle of competence. We're not a generalist

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long/short equity fund. Instead, we own a long-biased, concentrated portfolio of 10-15 long investments, consisting of the best small, mid-cap CEOs and programmatic acquirers globally, which are complemented by idiosyncratic shorts. We own companies that we think could be worth multiples of their current value in a few years, with a moderate level of risk, and we work closely with our CEOs in a constructive manner. We target outsized profits by concentrating our bets, rather than trying to replicate the indices. Good opportunities come infrequently, so our top five long positions are >50% of capital and they are very influential in terms of the fund's performance. Next, by using frameworks we exploit structural inefficiencies through a repeatable pattern recognition strategy. Also, we're big advocates of game selection. We focus on playing the games that are easiest to win. Why face major league fastballs when you can play rec league softball? By leveraging our frameworks in the small, mid-cap space, we see fewer skilled competitors which allows us to gain larger informational advantages and increase our odds of generating alpha.

On top of this, smaller companies have traditionally outperformed the market, and it has been the best spot for finding hundred baggers. We're also global and there is

even less research and liquidity abroad. Outside of the US we concentrate on Sweden, the UK and Australia. These markets have some of the best capital allocators in the world and we have built institutional knowledge and relationships that are extremely difficult to replicate. With index concentration in the US and Europe at their highest levels in decades, we think this is a key differentiator for Snöboll. There's not another fund on Wall Street with a similar strategy focused on these markets. If it helps, I can elaborate on our circle of competence and our relevant frameworks?

G&D:

Absolutely, that would be great.

NS:

Some dated studies concluded that most acquisitions don't create value and they lead to complexity. As a result, many investors are averse to acquisitive companies. But they say to become an expert in something, it takes 10,000 hours. At this point I believe I've spent >20,000 hours on publicly traded acquisition companies over the last 10+ years. Moreover, I strongly believe that investing in high quality programmatic acquirers allows Snöboll to achieve the holy grail, low business risk and high return potential.

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rests upon the premise that they have twin engines of value creation: strong organic growth and acquisitions. The best ones have developed expertise throughout the entire

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acquisition process. They tend to focus on smaller companies and avoid large deals. Ultimately, we think the alpha from this strategy stems from a private/public multiples arbitrage, a higher likelihood of consensus beating results, sustained high returns on invested capital, and long runways for capital deployment. The last two features bolster the compounding nature of these companies.

Also, well-known successful acquisition platforms can trade at higher valuations. This is

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precisely why we developed the Snöboll Compounder Roll-Up framework, which leads to the most asymmetric risk rewards across all our frameworks.

We commonly see that valuations correlate with daily trading liquidity and institutional ownership. This framework allows us to identify promising companies before the institutional masses when growth, M&A expectations and valuations are low. This provides us an even larger margin of safety. As these companies succeed and grow, they attract more sell-side research and more liquidity. As a result, our Snöboll Compounder Roll Up companies see their returns amplified by a snowball effect including more virtuous growth, and a third engine: valuation expansion.

G&D:

Could you also talk about the outsider CEOs that you are looking to invest with?

NS:

Sure. I have met William Thorndike, author of *The Outsiders*, a few times, and I found his book to be inspirational for Snöboll's strategy. In fact, Snöboll's goal is to find the CEOs that could be in the sequel of this book. First off, we are drawn to owner/operators where their skin is in the game. This is always superior to hired help.

Next, the best outsiders

are flexible and rational, and their allocation of capital is always tied to incremental returns. The ideal ones are operators, not financial engineers, and they focus on improving businesses they've acquired. They typically have a very decentralized corporate structure. These CEOs are often quiet, humble, and like to stay under the radar. They avoid providing short-term guidance, and they let their results speak for themselves. We sleep better at night knowing that our companies are run by "maniacs" with decades of experience and heavily aligned interests.

G&D:

What is the investment time horizon for Snöboll's long and short investments? And then how do you think about valuation catalysts?

NS:

The goal at Snöboll is to own a concentrated portfolio of stocks that could be worth multiples of their current value in a few years, with a prudent level of risk. So, our investment underwriting is long-term, and we like to focus on the sustainability of growth as well as competitive advantages. However, we tend to value our stocks on multiples of cash flows two to three years out. Ideally, we'd like to own stocks for many years, but we tier, and force curve our positions, so our holding period is not only driven

by the underlying risk/reward of a security but also how it compares to existing positions and watchlist names. As the share price and our risk/reward changes, our time horizon can be truncated, especially if the realization of the value happens quickly. Regarding catalysts, I think the hedge fund industry in general focuses too much on them and often overpays. In fact, investors appear to be biased against boring, high return companies, which don't offer the opportunity for an immediate strong share price appreciation. In turn, the steady compounders that we like to own don't really excite most investors.

For shorts, we have a bit of a shorter time horizon, which is six or twelve months, and we

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are more opportunistic.

G&D:

Could you tell us a little bit more about Snöboll's shorting strategy and investment criteria?

NS:

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Sure. So, I'll start by saying, I was profoundly lucky to start my career in 2007 on the verge of the great financial crisis. During this time, I saw firsthand how those that couldn't make money on the short side struggled, and I learned the importance of being a good short seller. It has been a priority throughout my career to be a proficient short seller and I have taken leadership roles on the short side at my previous firms.

For individual shorts, we have a very high bar. If there is not a path to a 50% downside, we typically pass. We mainly use three frameworks which have been the most successful for us over time and have resulted in the highest return on our capital and our time: the Commodity/Cyclical Peak, the Spinoff Short, and the Competition Short. Once again, our frameworks which us to repeatedly look at the world through a unique lens and to identify compelling shorts.

G&D:

That's great. Could you tell us more about Snöboll's geographic exposure? Where have you found a lot of investments that fit your roll up framework?

NS:

Great question. When we launched Snöboll Capital, my goal was to be 50% US and 50% international, but right now we are >90% international on the long

side. Just like our Outsider CEOs, we tend to be flexible and pragmatic about how we allocate our own capital. Currently, international equities are trading at their lowest valuation relative to US stocks in almost 50 years. This allows us to buy companies with stronger growth, higher margins, and better returns on capital at lower valuations abroad right now. Moreover, 70% of our long portfolio is actually listed in Sweden. Sweden is a very rich, productive economy and it has extremely well-run businesses. In these markets we also have competitive advantages. At American Century, I had one of the few seats in the world that provided me full access to this stock market and its network, and this allowed me to build unique knowledge and expertise over many years.

Also, believe it or not, Sweden was the best performing stock market in the last century. Despite this fact, I'll attend SEB's conferences where there are hundreds of investors and there are only a few from the US. Not only is this a great place for stocks in general, but it's a great place for programmatic acquirers. In Sweden, there have been decades of historically successful decentralized acquirers, and the market has a strong appreciation for this model. While most investors are familiar with Constellation Software, Danaher,

Transdigm, Roper, which have represented some of my most successful investments, Snöboll Capital owns four peers in Sweden which have grown faster, performed better (almost ~2x returns over the last five years), and trade at lower valuations. I think this highlights the opportunity set.

Moreover, the Nordic markets are well insulated from large institutional investors which ensures that this advantage is sustainable. Companies in this geography trade at much lower volumes than other developed markets, especially compared to the US. This stems from the disproportionate share of companies with >20% stakes that are held by quasi-permanent shareholders and there are significantly fewer passive flows. In the US, passive flows account for 40% of trades on some days. In Sweden it's immaterial. This market structure allows us to acquire well-performing businesses that are oftentimes too illiquid for larger institutional investors at steep discounts. While most Americans aren't willing to wake up at 2 AM for earnings, Snöboll's sacrifice is rewarded. They say, "the early bird gets the worm" – in our case it's the profit.

Finally, what makes Sweden so interesting is that they have been one of the economies that has been hit the hardest by higher rates. Most of their residential

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mortgages and their corporate debt have floating rates. So, as rates have risen its GDP has declined for nearly two years, home prices corrected by ~15% from their peak, and the economic challenges due to higher interest rates have been acute. Therefore, Sweden is a good place for long-term investments, a great place for programmatic acquirers, and a place where there's a cyclical trough that's quite compelling.

G&D:

To dig a little deeper on the macro piece, could you talk about the impact of higher rates on your portfolio of programmatic acquirers? Have you seen any impact?

NS:

Yes. The impact of higher rates has been profound in many regards. First, higher rates were, in many ways, the impetus for me resigning from American Century to launch my own fund. As we saw over the last two years, higher rates have been depressing growth expectations and valuations, and this impact has been most severe for smaller cap companies and those that are listed abroad. Moreover, companies that depend on access to capital markets for growth were hit very hard. At this point, we think this has created more of an opportunity than a headwind. We have found that higher

rates have an immaterial impact on the returns of a typical acquisition for our portfolio companies. Our companies typically have low leverage and it's not low rates or their use of debt that leads to value creation. Their success is instead tied to a structural public/private market valuation arbitrage where our serial acquirers can buy private companies at ~5-7x EV/EBITDA and use their systematic processes to improve them, which results in significantly higher earnings at their acquired businesses over time.

Also, while we aren't macro investors, we think that the current interest rate and stock market dynamics are similar to the emergence from COVID, when even after the vaccine was created, there were several flare-ups and repeated market pullbacks before the system had rid itself of this fear. We think inflation has sustainably turned a corner, and Snöboll is well-positioned to capitalize on this once-in-a-decade buying opportunity that has presented itself in smaller companies, international equities, and acquisitive companies. Moreover, we would argue that Sweden is the largest beneficiary of a peak in interest rates.

G&D:

Moving on to individual positions, we would love to hear about Vitec Software Group (VITB SS) and your thesis on

this name.

NS:

Vitec Software is around \$2 billion of market cap. It represents the largest vertical market software (VMS) company in the Nordics. This is a smaller and potentially higher quality version of Constellation Software.

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Over the last five years, they have been able to grow revenues at >20% CAGRs and EBITDA at >30% CAGRs. It has generated a >40% CAGR in terms of total shareholder returns over the last 10 years and despite Constellation Software earning cult-like status, investors in Vitec did even better over this time.

What makes the stock interesting right now is that they have been operating in relative obscurity for ~35 years

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and they only had research coverage from three local banks. However, we think Vitec is poised to become a more well-known entity that could be owned by more US and global institutions as the shares continue to outperform and garner increased attention. For instance, they just hosted their first quarterly call, and research coverage was just launched at their first non-Nordic bank. Moreover, Constellation Software's revenue is over 30x larger than Vitec's, which highlights the sizeable opportunity ahead.

For starters, vertical market software is an optimal type of business for executing our Snöboll Compounder Roll-Up Framework. Vitec has >85% recurring revenue, is capital light, and they consistently have high incremental returns on capital. Next, we believe that its organic growth will remain higher than its publicly traded peers' and consensus expectations. They have historically put up mid-high single organic growth, which is 2-3x its public peers, and this is due to their industrial approach. They call themselves geeks and they invest heavily in R&D. Also, they have annual CPI pricing adjustments in their contracts, which alone should add mid-single digit organic growth this year.

The company also recently put in place a corporate structure where they now have six

VPs which each oversee a group of six-to-eight decentralized companies. This has been a key driver behind Vitec's significant margin expansion. For EBIT margins, they target >20% and they've surpassed this level, so its target could be revised higher.

Moreover, they now routinely acquire businesses with >30% EBIT margins vs 10-15% margins previously. Another thing that highlights Vitec's business quality, its durability, and its scalability is that their labor costs as a percentage of recurring revenue is around ~60%, vs. mid-70% for its other public VMS peers.

Combining this with the recent acceleration that we are seeing in capital allocation, and this opportunity gets us very excited. Just recently, their corporate M&A team expanded from one to three. They announced the largest two deals in the company's history in the last year-and-a-half, and they announced their first acquisition in the Netherlands, which doubles the size of their TAM. Shares are trading at ~18x our forward EBITDA, while their peers unjustly trade at 20-30% premiums. We believe that Vitec will realize higher than expected growth, and that the closing of this knowledge gap will lead to a higher valuation over time.

“We would argue that Sweden is the largest beneficiary of a peak in interest rates.”

G&D:

Could you explain what allows Vitec to acquire companies at lower valuation multiples relative to its current valuation? And how do you think about Vitec's competitive advantage in M&A?

NS:

The reason they're able to acquire businesses at low valuations is that they focus on small, privately owned businesses that are <\$5 million revenue deals. These are too small for most institutional investors, so they don't see a lot of competition. Secondly, the owners of these businesses do not have many routes to realize value, and they are oftentimes subscale and undiversified, so on a standalone basis they are worth much lower valuations.

Why do I think this is sustainable? Well, it's a massive total addressable market. There are over 10,000 software companies in Europe for them to look at. And case in point, Constellation Software, has been doing a hundred VMS deals a year. Vitec is doing six to eight, which allows

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them to remain highly selective and it doesn't require them to pay much higher valuations over time.

G&D:

That's great. Maybe we can move on to the second idea, Kelly Partners Group (KPG AU), which is based in Australia. We would love to hear more about the company.

“ Kelly Partners has enjoyed annual revenue growth of >30%, and revenues have doubled every three to four years, for the last 18 years, while its stock is also up >400% since its IPO in 2017.”

NS:

Sure. Kelly Partners is even small for our standards. It is a \$200 million market cap company in Australia, which represents around 90 decentralized accounting and taxation partnerships. Its uber ambitious CEO, Brett Kelly, owns half of the company, and he aspires to build what he calls the Berkshire Hathaway of accounting. Moreover, he has taken best practices from Constellation Software, Danaher and McDonald's and used them to help build his company. Kelly Partners has enjoyed annual revenue growth of >30%, and revenues have doubled every

three-to-four years, for the last 18 years, while its stock is also up >400% since its IPO in 2017.

What attracts us to Kelly Partners is that they have the key ingredients to be a successful Snöboll Compounder Roll-Up: a high-quality, organically growing core business, a strong management team, a well-oiled acquisition playbook, and they focus on a fragmented industry with sustainably low acquisition multiples. Moreover, currently there is no sell-side research coverage and very limited trading volume, which leads to a lower valuation. Through mid-single digit organic growth and a programmatic acquisition strategy, Kelly Partners has been consolidating the accounting industry for SMEs in Australia. They are now looking to replicate this strategy in the US and eventually in the UK. Brett Kelly believes that they have built a repeatable franchise model like McDonald's which can be rolled out globally.

The company has enjoyed almost 35% EBITDA margins and 20% returns on capital in a very predictable non-cyclical industry. Moreover, they have a unique structure for their deals. They provide a permanent home to the owner/operator who are contractually required to stay on after the acquisition. The deals are structured in the Partner-Owner-Driver model that they

patented, where Kelly Partners acquires 51% of the business, the existing management team retains 49%. The acquired entity must then pay Kelly Partners a 9% royalty on its revenues in return for KPG's shared services and its robust operational playbooks.

Ultimately, Kelly Partners can double the profits of the companies that they acquire and save 40% of the manager's time. So, they have built this terrific flywheel. Second, we believe that Kelly Partners provides a unique opportunity to invest with the “Warren Buffett of accounting” at a reasonable valuation. It trades at ~15x forward EV/EBITDA, which we think is a mispricing given its quality and its expected growth rates.

However, what catalyzes this stock is that like what Mark Leonard and Constellation Software did in 2011, Kelly initiated a strategic review last year. Brett Kelly felt that the company's valuation was extraordinarily low, and this review led to a presentation in October 2023 where KPG suggested that a US-listing would support their acquisition strategy in this market and result in a higher valuation. At the time, the stock price was close to \$5, but Brett Kelly believed it was worth \$10. Kelly recently acquired two businesses in California, which now make up 5% of KPG's total revenue

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and we believe that a KPG stock listing in the US could happen in the second half of this year. They have already stepped their toe in the water by creating a US OTC listing.

Moreover, recently there have been many non-US companies which have relisted in the US, and it has led to increased institutional interest, higher volumes, and higher valuations for the early movers. Kelly Partners currently trades at a 20% discount to its best US comp, CBIZ (NYSE: CBZ), despite having two times the growth, margins and ROICs. So, as we see it, this is another early-stage acquirer led by a potential outsider CEO that has proven to have a unique and powerful business model and acquisition strategy. We think that the knowledge gap will close over time leading to a higher share price.

G&D:

Could you talk about how KPG is able to acquire companies at lower multiples and then also the competitive advantage that a KPG partnership provides these firms?

NS:

Yes. Before building Kelly Partners, Mr. Kelly was an accountant himself, and he struggled with the issue that these are often good businesses that are poorly run. Another big issue he recognized was in that of succession planning. Most

accounting firms are partnerships and to accomplish succession planning their senior members are typically required to sell down their equity to junior partners, who oftentimes don't have sufficient capital. In turn, senior partners are usually forced to sell their business. Brett saw this as a massive opportunity for KPG to exploit as accountants are getting older and grayer and there hasn't been a clean way to solve this succession issue. As a result, Kelly Partners has become the de facto solution.

On top of this, the takeout valuations they pay are lower and it's sustainable because they are advantaged acquirers. Owners prefer to sell to KPG for less, instead of selling to private equity because they can stay in place and continue to share in the growth of their company.

Its competitive advantages also stem from Brett Kelly's approach to process. He developed Kelly Business System, similar to Danaher's DBS, where they have a detailed operational and integration playbook that includes now >800 modules. This highly repeatable playbook creates key advantages.

G&D:

If you're an accounting partnership, what are the key operational advantages that a Kelly Partners partnership provides you?

NS:

Time is the biggest benefit. Most accountants or partners should be out generating business, not managing their back office. Also, KPG is very focused on pricing. The combo of those two things along with its Kelly Business System lead to strong earnings growth. On top of that, one of the lowest hanging fruits is the receivables. Brett Kelly typically finds that receivables are 40% higher than they should be, and this goes back to the fact that their targets are good businesses that are not run as efficiently as they could be.

G&D:

Brett Kelly owns half the company, but he is selling down his position. Should investors be concerned about that?

NS:

Kelly Partners is unique in that they previously paid monthly dividends. Brett did this because he wanted to prove that the model worked. If people saw that he did 50 plus acquisitions and the cash was coming out the bottom, then they would be more eager to sell to Brett Kelly. In addition, Brett Kelly depended upon this dividend because he took a very low salary. In addition, dividends are tax-advantaged in Australia. However, the company's review concluded they KPG could do ~50% more M&A without its dividend, and Brett is

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focused on listing in the US, where dividends don't share in the same tax benefits, so KPG just canceled its dividends.

As a result, Brett needs access to cash to live his life. He sold some stock in lieu of not getting dividends, and he may continue to sell some in the future, but he wants to remain a >35% shareholder even after a US IPO. Another inspiration for a US-listing is the dual-class share structure, which isn't permitted in Australia. This would allow Brett to maintain control despite owning <50% of the company. So, the recent stock sales have been the result of corporate actions, which we think make the company more valuable as they now have even more dry powder for highly accretive M&A.

G&D:

For our readers, could you discuss the biggest investment lesson that you've learned?

NS:

Yes. First of all, I have made many mistakes, and you learn the most from your mistakes. However, one really stands out. In 2015, my team was involved with Valiant Pharmaceuticals and Endo Pharmaceuticals, and at the time, these stocks were going up a lot. They were actively doing M&A and oftentimes the deals were large. Unexpectedly, what ultimately happened was that these companies

both collapsed and nearly went to bankruptcy. I believe Endo actually did file for bankruptcy.

This allowed me to appreciate that the best acquisition platforms are the ones that don't neglect organic growth. The great platforms really focus on improving the businesses once they've acquired them. So, although we focus on acquisition-driven companies, organic growth is often the most important thing when assessing the quality of our platform businesses. This experience taught me that it's operational excellence that leads to success, not the acquisitions.

“This experience taught me that it's operational excellence that leads to success, not the acquisitions.”

G&D:

Great. And then, as a former Golden Gloves boxer, has boxing influenced you as an investor?

NS:

Definitely. I think the grit, discipline, and strong work ethic that I picked up from boxing are all things that have allowed me to

continuously improve as an investor. Early on in boxing, it was a humbling and painful experience to get better over time. This is similar to the process of getting better at investing, where if you don't put the work in, the markets will beat you up. But one of the most important takeaways from boxing is that you learn it's not the big knockout punch that wins most of the time. Instead, it's the boxers with the best fundamentals, the best one-two punch that end up winning fights. Just like in investing, I think people are overly focused on hitting home runs, when it's actually those that focus on the one-two punch and do it very well that end up being the most successful investors.

G&D:

For advice for students, what makes a great analyst?

NS:

The most important thing is to focus on continuous improvement and to be a “learning machine”, as Buffett and Munger like to say. Also, you should do your own work and have confidence in your conclusions. What made Michael Jordan the greatest basketball player of all time, to make a Chicago reference, is that not only did he practice and prepare very hard, but he also wanted to take the big shot. When it

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mattered most, he had the courage and the bravery to try and be a big difference maker. If you're going to do the hard work, and you have conviction, you must have bravery and the desire to take the "big shot."

G&D:

To wrap it up, what do you like to do for fun outside of investing? Any fun or unique hobbies that you have?

NS:

I have three young children, so they take up the vast majority of my free time, but I really enjoy spending time with them. In turn, they do help provide a nice balance to my life. Also, when my wife and I can get away, we love to travel.

G&D:

What's your favorite country you've been to recently?

NS:

We recently went to Costa Rica, which was just great. It's a wonderful combination of good weather, a nice laid-back culture, and great geological stuff to see and do. It really has a good mix of what we are looking for when we want to get away.

G&D:

Thanks for all of your insights, Noah.



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Finding your Edge and Sharing it with the World: **A conversation with Shayan Mozaffar**

By: Richard Lalane

I came to Columbia Business School (CBS) to learn from the best investors, take something from each and make it my own. One of the classes I was fortunate to take was *The Analyst's Edge* during the Fall of 2023, taught by Shayan Mozaffar and Adam Birnbaum. I worked with Adam the prior summer and he introduced me to Shayan one summer night on his rooftop when he gathered the incoming Analyst's Edge class to get to know one another. When I met Shayan, I knew I had to give 100%. He expects nothing less. After three months of conducting primary research, learning how to evaluate management teams, filtering what matters most for my companies, developing conviction in my ideas, and learning bits of Shayan's story, I thought his story and insights through my lens would be valuable to our G&D readers. Shayan would be the first to tell you that any insights should be taken with a grain of salt – everyone's cards are different and as such what works for one person might not work for another. Herein you'll find the quotes and stories that resonated most with me along with my takeaways. I hope it inspires you as much as it has inspired me.

What is an Edge? From an investing perspective, most investors view an edge as the ability to develop non-consensus views, or variant perceptions, that turn out to be accurate. Not all investors can have non-consensus views because collectively they are the consensus. In a business where everyone is trying to gain an edge, how does one achieve superior insight that stands out? Shayan offers a deeper perspective:

"Your edge comes from an alignment between who you are, what you were built to do in life, what brings you meaning and fulfillment, and what you're doing. Then committing to becoming the best you can be and developing your skills to the highest level—Your edge is the outcome of that journey. The byproduct is your ability to execute better than other people, and more consistently, in your area of expertise. Your edge is something you discover and cultivate... It is not something out in the world... It's actually within you."

Finding your Edge

One of my key takeaways from my time at CBS is that the best investors remain authentic in how they approach investing. Your genetic predisposition and investing philosophy have to align in order to have long-term success.

"All musicians know how to play instruments. All guitarists play the same strings. All of them are trying to make music. Many copy other musicians and can do a good cover. So why does Jimi Hendrix sound so different? Why are certain musicians more successful than others? If you go through that you realize there's something about authenticity. It's their interpretation of their life and experiences through their music. I feel the same about investing. There is not much difference between the basics in what we all do. What makes it interesting and unique is how we connect it to who we are and how we view the world, and how authentically we're able to do that."

Shayan was raised in Pakistan. He grew up in a single bedroom with his parents and siblings. Shayan knew at an early age that he had to make it out on his own, so he became entrepreneurial at an early age and left home on his 18th birthday. Shayan bought a one-way ticket to the U.S. and arrived in

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