



CONTROL THE CONTROLLABLE:

Investors often focus their time on things that are out of their control rather than focusing on things they can control. Seth Klarman, the founder of Baupost, describes what cannot be controlled in investing. The following is an excerpt from the 2005 fund letter:

“For most investments, much can go wrong, including numerous factors beyond an investor’s control: the economy, the markets, interest rates, the dollar, war, politics, tax rates, new technology, labor problems, competition, litigation, natural disasters, fraud, dilution, accounting gimmicks, and corporate mismanagement.” – Seth Klarman, 2005

Success for investors will be earned in controlling the controllable elements while attempting, when possible, to minimize uncontrollable events. The following are a few examples of elements investors should focus on controlling: investment time horizon, proper temperament with volatility, low fees, staying diversified, appropriate savings rate, and proper asset allocation.

HI-LINE CAPITAL MANAGEMENT’S INVESTMENT “EDGE”:

Hi-Line Capital Management’s Investment “Edge” comes from things we can control, one being the investment philosophy that forms our beliefs and principles for the decision-making process: intrinsic value investing. Intrinsic value investing works best over the long term. It incorporates the need for continuous analysis, long term thinking, risk reduction, proper temperament, and independent thought and conclusions.

Average investors tend to make rash investment decisions based on herd mentality, fear, or greed. These actions can cause price fluctuations which, at times, may be drastically higher or lower than the investment’s true value. These price inefficiencies provide opportunities for the intrinsic value investor who will be patient and prepared.

Our “Edge” is to continuously execute our intrinsic value principles in today’s competitive investing environment. Even though certain results cannot be promised, certain actions – when properly executed – should produce satisfactory results. An investment “Edge” will be pursued as follows:

- Choose investments on the basis of value received as compared to the price paid
- Obtain a margin of safety to reduce probability of permanent capital loss
- Maintain proper investment attitude and temperament to improve decision making by using facts and logic while not being persuaded by the market or crowd
- Continuously assess risks
- Diversity of holdings
- Seek to control the controllable