

[Monday, March 26<sup>th</sup>, Keweenaw Land Association by me](#)

[Friday, March 30<sup>th</sup>, EM Systems by Clayton Young](#)

[Friday, March 30<sup>th</sup>, ExxonMobil by Trey Henninger](#)

## **“Killing Your Horse”**

**April 1<sup>st</sup>, 2018**

### **To Focused Compounding members:**

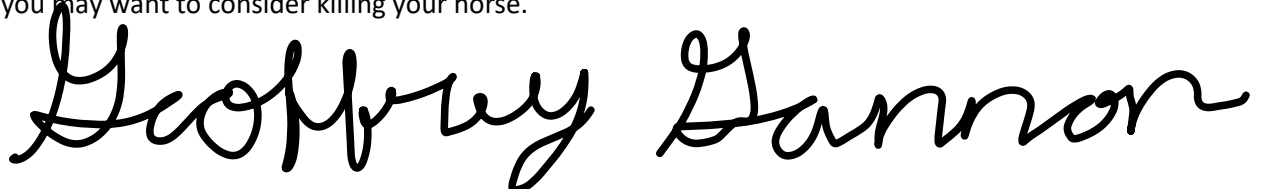
Two-thousand-ninety years ago, a man by the name of Spartacus was leading a group of rebels – all escaped gladiators like himself – in the hopes of escaping Italy and finding freedom in what is now France. The gladiators’ passage was blocked by a Roman army. Spartacus had no choice but to fight. On the eve of battle, thousands of men gathered round to hear Spartacus speak. They were, no doubt, expecting to hear a great and rousing speech. What they witnessed instead was a simple act. Spartacus ordered his horse brought out. And there, in front of all his men, he cut the horse’s throat. His rousing speech consisted of these words: *“If we win the battle, I will have many fine horses that belonged to the enemy. If we lose the battle, I will have no need of a horse.”*

Forty-five years ago, a man by the name of Benjamin Graham wrote: *“Investment is most intelligent when it is most businesslike.”* One difference between all the investors reading this memo and all the businessmen running companies is that the investor often has an exit strategy. The businessman does not. Ben Graham also wrote: *“The true investor scarcely ever has to sell his shares, and at all other times he is free to disregard the current price quotation. He need pay attention to it and act upon it only to the extent that it suits his book, and no more. Thus the investor who permits himself to be stampeded or unduly worried by unjustified market declines in his holdings is perversely transforming his basic advantage into a basic disadvantage. That man would be better off if his stocks had no market quotation at all, for he would then be spared the mental anguish caused him by other persons' mistakes of judgement.”* What if an investor chose to behave as if he had no market quotation at all?

What if he killed his horse?

It may seem odd to suggest you should tie your own hands and once having bought a stock never allow yourself to sell that stock. After all, a highly liquid market gives you a lot of choices. But, are you sure you make use of the choices in a way that improves your results? Are you sure the stocks you sell go on to underperform the stocks you buy? Have you ever really stopped and spent a day going through all your past trades to **prove** there’s a point to all this selling you do? I once wrote an article over at Focused Compounding called [“Over the Last 17 Years: Have My Sell Decisions Really Added Anything?”](#) My conclusion was that in cases where I chose the right business to start with, my sell decisions did not add anything. So, there are now two questions to ask yourself. One, do **your** sell decisions add value? And two, would the knowledge that you could never sell a stock make you more likely to pick the right business in the first place. Does knowing there is a liquid market for a stock encourage you to think the damage from picking the wrong business can be dealt with by selling out of that stock quickly. Have you ever heard yourself utter those most dangerous words “I will monitor this position closely”?

If so, you may want to consider killing your horse.

A handwritten signature in black ink that reads "Geoffrey Gannon". The signature is written in a cursive, flowing style.