

**Dear Partners,**

We have continued to post strong performance and remain extremely excited about our prospects, as fundamental results at our portfolio companies bode well for future total shareholder return. Below are our current unaudited, estimated performance numbers; please check your individual statements for exact figures.

As always, please remember that we do not use leverage and typically maintain a double-digit cash balance.

	Since 2017-01-01 (Last 18 Months) - Cumulative	Since 2017-01-01 (Last 18 Months) - Annualized	Since Inception (2016-01-08) - Cumulative	Since Inception (2016-01-08 - Annualized)	YTD 2018, Cumulative
ACP Gross	~ + 31%	~ + 20%	~ + 123%	~ + 37%	~ + 34%
<b>ACP Gross Less Mgmt Fee</b>	~ + 28%	~ + 18%	~ + 116%	~ + 36%	~ + 33%
<b>S&amp;P 1000 Total Return</b>	~ + 21%	~ + 14%	~ + 59%	~ + 20%	~ + 5%
ACP Gross Less Mgmt Fee +/- S&P1000TR	~ + 7%	~ + 4%	~ + 57%	~ + 16%	~ + 28%
Outperformance Allocation (30% of above, if any)	~ + 2%	~ + 1%	~ + 17%	~ + 5%	~ + 8%
<b>ACP, Net of Mgmt Fee &amp; Outperformance Allocation</b>	~ + 26%	~ + 17%	~ + 99%	~ + 31%	~ + 24%
<b>ACP Net +/- To SP1000TR</b>	~ + 5%	~ + 3%	~ + 40%	~ + 11%	~ + 19%

*DISCLAIMER: Data is estimated, unaudited, and provided for directional color only. Past performance is not a predictor of future results. We do not expect our future returns to approximate our historical returns. Amounts may differ due to rounding. Please consult your monthly statements from Fund Associates LLC or audited annual financials from Spicer Jeffries LLP for actual returns. Net returns are calculated assuming a hypothetical investor paid the standard fee structure of a 1.5% annual management fee and 30% of the outperformance, if any, vs. the S&P 1000 Total Return index. Data is presented only for Askeladden Capital Partners LP and not for any of the separately managed accounts which Askeladden Capital Management LLC (the investment advisor to Askeladden Capital Partners LP) also oversees. Please see additional important disclaimers in the appendix.*

**Announcing Poor Ash's Almanack: The Best Free Mental Models Resource**

So as not to bury the lede, I built a [latticework of mental models](#), [book reviews + analysis](#), and [guided learning journeys](#) that is the best free mental models resource on the web by a wide margin. There's roughly half a million words of content. One beta reader – a paying subscriber to the most widely read mental models site, nonetheless – said “*Poor Ash's Almanack seems like the website I've been trying to find for a long time.*” Go check it out: [askeladdencapital.com](http://askeladdencapital.com). Below is the story of why I created it.

*“I've long believed that a certain system – which almost any intelligent person can learn – works way better than the systems that most people use.*

*What you need is a latticework of mental models in your head. And, with that system, things gradually get to fit together in a way that enhances cognition.*

*However, my particular approach seldom seems to get through, even to people of immense ability. Things usually die after going to the “Too-Hard” pile.”*

- Charlie Munger

The first and last question most investors get asked is: “*what's your edge?*”

It's a hard question to answer, because often it doesn't boil down to a pithy soundbite – and if it does, it may just be [overconfidence](#).

It's a question that I personally found easier to answer via [inversion](#). Back when I was a hedge fund analyst, it became clear to me – almost immediately – that on any given investment thesis at scale, I wouldn't have an analytical edge. There would be people who were smarter than me, with more industry experience than me, with more resources and information than me, with a closer relationship with the management team.



It seemed like there were two options. One was to try to gear up and play in the [arms race](#) of finding the incremental data point. The other was to give up completely on ever winning that game.

Let me make an analogy: how do you beat LeBron James or Steph Curry 1x1? I don't know. But you sure ain't gonna do it playing basketball.

I figured out pretty quickly that I wasn't going to beat the investment industry at its own game. I could, however, beat it at a game that had clearly been around for decades, that very few people choose to play. That game is focusing on *judgment*, not analysis. It's a game that Charlie Munger and Warren Buffett came up with a long, long time ago. They do their analysis on paper napkins. As Munger puts it:

*"Some of the worst business decisions I've ever seen are those with future projections and discounts back. It seems like the higher mathematics with more false precision should help you but it doesn't. They teach that in business schools because, well, they've got to do something."*

They get to play their game because they're already billionaires, and people idolize them. (As my dad says: what's the difference between crazy and eccentric? The zeroes on your bank balance. My dad notes, sadly, he's just crazy. Given that most of his money is in ACM, I hope to make him eccentric.)

Unfortunately, as we'll explore, Buffett/Munger's game isn't very marketable for the rest of us. Analysis is easy to showcase. Judgment, not so much. McKinsey can hand you a beautiful report, circa 1980, telling you that there will never be a market for cell phones in the United States. And you will be impressed, because it's a very detailed report, delivered by a sharply-dressed man, with a fancy college degree or three to his name.

And it will be completely and totally wrong.

That's not to say that analysis isn't important. Analysis *is* important – whether you're an investor, a manager, a doctor, a scientist, a lawyer, or any other professional. All I'm arguing here is that most of us already do plenty of analysis. The analysis isn't the problem. The [bottleneck](#) is the judgments we make *on* the analysis we do. Trying to improve our success by *collecting more data* misses the point. Data isn't the Herbie.

In fact, there are, as best I can tell, very few mistakes in any field that actually derive from a lack of sufficient data. Some examples:

A lack of data is not why the *Challenger* shuttle crashed, as Richard Feynman explains in ["The Pleasure of Finding Things Out"](#) ([PFTO review + notes](#)).

A lack of data is not why Moody's couldn't properly assess the risk in mortgage-backed securities prior to the financial crisis, as Nate Silver explains in ["The Signal and the Noise"](#) ([SigN review + notes](#)).

A lack of data is not why doctors fail to wash their hands and thereby cause fatal infections, as Megan McArdle explores in ["The Up Side of Down"](#) ([UpD review + notes](#)).

A lack of data is not why some parents make the brutally misguided decision to forego vaccinations, jeopardizing their kids – and ours – as Dr. Paul Offit explores in ["Deadly Choices"](#) ([VAX review + notes](#)).

A lack of data is not why critical infrastructure is often designed in a completely unusable and nonsensical way, as Don Norman explores in ["The Design of Everyday Things"](#) ([DOET review + notes](#)).

A lack of data is not why classical economics became *completely* divorced from reality, as Richard Thaler explores in ["Misbehaving"](#) ([M review + notes](#)).

And a lack of data is not why most people die during outdoor recreation, as Laurence Gonzales explains in ["Deep Survival"](#) ([DpSv review + notes](#)).



No. In all of these cases, the necessary data was readily available – and, in fact, the people who made critical mistakes used that data.

In all of these cases, it was *a lack of judgment* that led to disaster. The people looked at the data. They just didn't make the right call.

What's the use of gathering extra data if we can't deal with the data we've got? More data does not always lead to better decisions, as Dr. Jerome Groopman explores in "[How Doctors Think](#)" ([HDT review + notes](#)).

So what are things that can promote better judgment? Well, it's absolutely gotta start with avoiding alcohol, for one.

And getting [sleep](#) at the proper time in alignment with our [chronotype](#), for two. Dr. Matthew Walker's "[Why We Sleep](#)" ([Sleep review + notes](#)) – my candidate for most important book of the century, no hyperbole, and a copy of which has been delivered by Amazon to all ACM clients – provides compelling evidence of how, when we're sleep deprived, our prefrontal cortex is less able to exert rational control over our amygdala (the emotional, "fight or flight" part of our brain).

In fact, Walker points out that if we routinely wake up with an alarm clock, earlier than our bodies tell us to, we might spend a significant portion of our day with our prefrontal cortex – the center of rationality – in an "*offline, disabled state.*" Eek.

I get eight and a half to nine hours of sleep per night and use an alarm clock maybe once a month, so tick that checkbox there. What's next?

Well, first of all, before information from the world hits our brain to be judged, it has to pass through a dozen-and-one cognitive biases, as well as our existing worldview – our [schema](#).

Understanding those unconscious distortions and adjusting for them helps us to process information more accurately. Then, actively replacing maladaptive beliefs, or "filters," in our schema, with more [adaptive](#) ones such as [multicausality](#), [Bayesian reasoning](#), [nonlinearity](#), and [structural problem solving](#) – that align with the nature of reality, as explored in a [multidisciplinary](#) and [utility](#) focused way – can turbocharge our analytical capabilities by transmuting, via [habit / conditioning](#), active, slow [cognition](#) into much faster, energetically cheaper [intuition](#) – which has the double-whammy of speeding up accurate judgments, and leaving more cognitive resources for accelerating the process.

After all that, we realize how awfully flawed [memory](#) is, and how we can use techniques like [decision journaling](#) to make sure that we're making [feedback](#) from the world [salient](#), allowing us to really improve our [process](#) via [probabilistic thinking](#) rather than succumbing to [overconfidence](#) by mistaking skill for [luck](#).

I could go on all day. I won't, though.

The point is that the relevant information to build better judgment is out there. Charlie Munger handed us the template. Why do comparatively so few people in the investment industry pursue it?

I'm glad you asked. It's a [product vs. packaging](#) issue. We're [humans, not econs](#), so we're not omniscient. We often respond too much to irrelevant "packaging" that has nothing to do with the "product."

Books ranging from Goldratt's decades-old "[The Goal](#)" ([Goal review + notes](#)) to Newport's contemporary "[Deep Work](#)" ([DpWk review + notes](#)) observe a time-tested reality: managers, and clients, want to *see* tangible evidence that their hard-earned dollars are being spent productively.



Availability and visibility – i.e., butts in chairs, or voices on phones, or emails in inboxes, or cover sheets on TPS reports – is thus a proxy for productivity. It's hard to tell, in many white-collar industries, whether anything of value has actually been created today.

So, we demand the trappings of what we *think* will bring productivity – what looks like *should lead* to productivity – as mistakenly as Pacific Islanders making control towers out of coconuts hoping the loot-filled American planes will come back just like they did in the war.

In fact, one author points out that Charles Darwin – you know, the guy who revolutionized biology by figuring out evolution, widely hailed as one of the greatest thinkers of all time – would've been fired from any corporate job in, like, five minutes. Because Darwin was not a butt-in-chair kinda guy, not whatsoever. He spent most of his time wandering around and thinking. He did about as much “work” in an average day as Peter Gibbons of Office Space fame.

In other words, I, Samir Patel, am telling you, my clients, that I spend about half of my working hours *not actually doing anything related to stocks whatsoever*. (In the other half of my time, by the way, I still manage to produce more investment research than many 3-person teams, or so I've been told. So don't worry.)

But what do I spend half of my time doing? With all the time I save by focusing on [utility](#) and not consuming low-value information – like news, daily stock price movements, or social media – I'm reading books. Sometimes books about what makes some birds smart. ([“The Genius of Birds”](#) – [Bird review + notes](#)). Sometimes books about how top-tier negotiators come to win-win solutions. ([“Getting to Yes”](#) – [GTY review + notes](#)). And sometimes books about why middle-aged women feel deep shame about many aspects of their lives. ([“Daring Greatly”](#) – [DG review + notes](#)).

#### [What does Munger say on the topic of reading?](#)

*In my whole life, I have known no wise people (over a broad subject matter area) who didn't read all the time – none, zero....*

*But that's not enough: You have to have a temperament to grab ideas and do sensible things. Most people don't grab the right ideas or don't know what to do with them....*

*Warren and I do more reading and thinking and less doing than most people in business. We do that because we like that kind of a life. But we've turned that quirk into a positive outcome for ourselves. We both insist on a lot of time being available almost every day to just sit and think.*

*That is very uncommon in American business. We read and think.*

I'm asking you to invest your hard-earned money with me on the premise that Charlie Munger is right. That the half of my time not spent on investment research cumulatively adds more value to the Askeladden process than any amount of conventional stuff that “looks like” investment work.

And it's working, isn't it?

Yes, yes, I know: two and a half years doesn't prove anything. **Luck vs. skill. Sample sizes.**

But all of you invested with me because you wanted something *different* from the rest of the industry. Let's face it: I'm not going to beat anyone on pedigree (I went to UTD; they went to HBS.) I'm not going to beat anyone on fancy clothes (I wear Levi's; they wear Hermes.) I'm not going to beat anyone on fancy office space (\$0/sqft childhood bedroom in the suburbs vs. infinitely more expensive Midtown office space.) I'm not selling anyone on anything. In fact, if anything, I do the opposite of selling: I routinely downplay our skill, our results, and our potential.



It's time I stopped doing that. Because as best I can tell, there really aren't a whole lot of people playing this game I'm playing – the one Charlie Munger laid out the template for. So let's sell *that*.

There aren't, as far as I can tell, many people in the investment industry who've taken the time to actually understand all these timeless principles of reality.

There are a select few. I know and talk to many of them. I hope to meet many more.

I'm not Charlie Munger. Nobody is. Nobody can be. I'm not *trying* to be Charlie Munger. I'm trying to be the intellectual *beir* to Charlie Munger. I'm just trying to use all of Charlie Munger's wisdom to make myself the best Sammy I can be.

That's why I'm opening up The Process, Sam Hinkie style. I've been hinting at this for a real long while now. And it's finally here.

Poor Ash's Almanack represents much of the judgment I've built over the past three years, translated into a format that readers with any level of background (ranging from none to advanced) can derive value from. It's a free resource for ACM clients, other investors, college students, and hopefully people from all walks of life.

It's not complete. It's just getting started. It is, as the title of this letter implies, a learning journey – for me, most of all. There is so much left to learn. Creating this resources was humbling, because it made me realize how much there is that I don't know, even on the topics I know *about* (to say nothing of the ones I don't, yet.) So westward on I go.

I'm not concerned from a competitive-advantage standpoint about sharing it with the world, because,

A, it would take anyone a couple years to fully internalize all of it, even if they made it their first priority. Much smarter people than me have put much more thought-provoking material into the world that's still barely understood.

B, I post full-fledged investment theses and it doesn't diminish our competitive advantage.

C, the number of people who would actually take this knowledge and apply it, in the specific way I do, to the specific investment process that I do (small/micro-cap concentrated), is so small that there's room for all of us – and if there are other people like me out there, I'm better off knowing them and collaborating with them than I am on my own, because I can only cover so much ground.

And I'm capping FPAUM at \$50MM anyway, mostly thanks to all the mental models work – which teaches, above all, the importance of not being overconfident, and separating the favorability of your environment from the strength of your traits. A lack of investment opportunities will never be a (long-term) problem.

So. Poor Ash's Almanack. It's comprised of book reviews + analysis, mental models, and guided learning journeys. At a zeroth-order approximation, PAA has roughly ~half a million words, equivalent to ~1,700 standard paperback pages, or about 6 standard-length paperbacks. It directly cites over 70 books totaling over 25K pages. And it covers over 70 mental models, condensed into 37 pages by interweaving closely-related models to enrich your understanding and enhance your memory.

PAA combines the communication style that the head of research at a well-known multi-billion-AUM shop describes as “a joy to read” with the caliber of logic, deep thinking, and pattern recognition that a small-cap fund manager with a stellar 25-plus year track record calls “extremely unusual” among the many investors he talks to. And one beta reader – a paying subscriber to the most widely read mental models site, nonetheless – said “Poor Ash's Almanack seems like the website I've been trying to find for a long time.”

Here's what makes Poor Ash's Almanack the best free mental models resource by a wide margin.





For one, it's **utility-focused**. As Sum 41 might put it, "All Killer, No Filler." Every page is designed to help *you* figure out what *you* should learn next. Nothing on the site encourages you to waste your precious time on stuff that isn't interesting or useful to you. I hunt for high return-on-time-invested books and ideas; I don't mindlessly idol-worship authors and concepts that contribute no value.

For two, it's **highly interlinked and synthesized** – latticeworked, you might say. Every page links to dozens of other pages, allowing you to immediately dive down any rabbit hole of interest and contextualize what you're learning with additional perspectives and resources. I synthesize a lot of different ideas and sources in unusual ways that you won't find anywhere else.

For three, it's **fun and approachable**. I don't pretend to be some guru on a mountain, gracing y'all with my presence. I don't pretend that I'm part of some enlightened elite. I am just a guy with an Amazon Prime subscription, a keyboard, and an abnormally high tolerance for using all of my floorspace (somedays literally all of it) as book storage. I read stuff and takes notes on it and think about it, and when those thoughts are useful, I write them down in a form you can hopefully understand.

Where should you start? Oh c'mon, don't ask me to pick my favorite child. You see, it's especially hard for me because I don't even have a girlfriend yet, let alone any kids. By [inversion](#), I suppose we can safely eliminate the red-headed kiddo as a candidate for "favorite" status, but it's an open question from there...

As a writer and former high school debater, I think the [culture / status quo bias](#) model is executed best, or maybe the [zero-sum vs. win-win games \(arms races, relative vs. absolute skill\)](#) model, and I even managed to tie in one of my favorite topics and perhaps the most important mental model on the site. It's not, like, [Jonathan Waldman level writing](#). I'll never be that good. But it's some of my best.

As a thinker, I'm most proud of my synthesis in the [cognition / intuition / habit / stress](#) mental model. It took a deceptively extensive amount of reading, thinking, and synthesizing to create that.

As a human being, I think the [structural problem solving / choice architecture](#) mental model is the most important model that nobody ever talks about (except Richard Thaler and Don Norman, which is why the alternate working title for PAA was "OfficialRichardThalerAndDonNormanFanClubDotCom.")

Runners-up would be the [multicausality / disaggregation](#) mental model, the [human memory](#) mental model, the [luck vs. skill / path-dependency / process vs outcome](#) mental model, and the dose-dependency section in the [nonlinearity](#) mental model, both because dose-dependency is important to understand, and because it doesn't take a whole lot of Tylenol (acetaminophen / paracetamol) to kill you and surprisingly few people know that.

And of course, as a value investor, I'd be remiss if I didn't tell you that there's a very comprehensive, 5,000+ word [margin of safety](#) model. That one even includes throwaway jokes about what value investors and management consultants would get a tattoo of after a drunken night – and where. (Salacious!)

But really, you can't go wrong with any of them. Especially the ones that have Office Space or South Park references, or even [both at one time](#). So what are you waiting for? Go find something to read on Poor Ash's Almanack. (And please do read "*Why We Sleep*.")

My next step is taking the lessons from PAA and using them to improve our already-robust research process to maximize our chances of identifying more ideas like the wonderful ones we own today. Stay tuned for more on that... hopefully by the year-end letter.

Westward on,

Samir