



CLARENCE DRIVE CAPITAL PARTNER'S MANUAL FOR BUSINESS OWNERS

This manual is the blueprint for our partnership in business ownership, outlining the principles, methods, and shared structure that define the firm. I wrote this because enduring partnerships begin with transparency. Transparency builds alignment, and the more aligned we are in how we pursue our goals, the more likely we are to achieve them together. Inside, I share not only *what* we do, but *why* we do it, offering you a clear window into how decisions are made and how your capital is stewarded.

1. Our approach is partnership

I view you not as clients, but as partners in the long-term ownership of exceptional businesses. I hope you feel that you're joining a long-term venture akin to owning a private business, home, or farm in partnership with your family.

Partnership here is not just a mindset; it is built in. I invest virtually all my capital alongside yours, sharing the same risks and rewards. This reflects a deep conviction in the strategy and a commitment to shared outcomes. This alignment extends to the economics. I operate Clarence Drive Capital at low cost and pass that on to you. By capping management fees to cover only operating expenses, your costs decrease as the firm grows. This means you capture the economies of scale, not the manager, and the firm generates a profit *only* by delivering returns above the hurdle rate. Partnership means sharing the downside just as fully as the upside, and the firm has been designed to ensure I succeed only when you do.

2. My primary economic goal is outperformance

My economic goal is to deliver exceptional long-term returns, adjusted for risk. I aim to build a track record we can be proud of, on par with the investors I admire most. To justify this partnership, we must exceed two hurdles: the return on risk-free capital (government bonds) and the return of the global stock market, which over time reflects the results of most of the investment industry. If I cannot beat the stock market average over time, this firm should not exist, as you can achieve that result in a passive index fund. While the next seven sections describe how our setup supports this pursuit, please note that no rate of return can be guaranteed. My specific approach to managing risk is detailed in Section 15.7.

3. We are long-term investors

Why the long-term? A long-term horizon provides on one of the few sustainable edges in markets: behaviour. Most market participants trade shares based on short-term expectations where competition is greatest, while I invest based on long-term expectations where competition is least. The market's obsession with the short-term causes significant price volatility and mispricing, creating time arbitrage opportunities for investors who focus on long-term business value. I typically invest only when I assess that a business is worth at least twice the current price.

How do I practice long-term investing? This approach requires diligence and patience. To ensure I can sustain this behaviour, I have structured the business accordingly:

1. An ownership structure that achieves the independence necessary to implement such an approach:

Many investment firms are pressured by external owners, leading to short-term thinking and reactionary decisions. Clarence Drive Capital is 100% owned by the investment decision maker. This ensures immunity from outside owner influence on investment decisions and a built-in commitment to a long-term investment strategy.

2. Aligned partners:

I seek partners who share this temperament — investors who keep long-term business value front of mind and cultivate the emotional discipline needed to navigate price volatility. My goal is to ensure the market serves us, rather than instructs us: to be fearful when others are greedy, and greedy when others are fearful. When share prices fall and I see extraordinary opportunities, I encourage you to consider deploying additional capital rather than succumbing to the psychological pressure to redeem. This patient, contrarian discipline is the foundation of superior reward in the market.

4. We are global investors with a broad opportunity set

The firm is structured to capture a distinct advantage: an unconstrained global equity mandate. Unlike traditional fund managers who are typically bound by attributes such as asset class, geography, sectors, investment styles, and even the degree to which a fund tracks the index, I can look far and wide and am not required to invest in assets that do not meet our criteria.

The typical large South African fund manager is restricted to a liquid universe of roughly 40–50 local companies. Often, many of them can remain overvalued and unattractive for extended periods. In contrast, our mandate allows me to select from tens of thousands of companies worldwide. This dramatically increases the probability of finding exceptional opportunities.

Many investors suffer from home bias, investing most of their funds in the equity market of their home country. Restricting oneself to a single geography strikes me as irrational. By casting a wider net, we gain meaningful advantages: we can own terrific businesses and fundamentals that simply do not exist in the local market, obtain a significant advantage when comparing similar businesses across geographies, and mitigate risk by achieving global diversification and a hedge against the home country's economic and political risks.

5. I offer only one product: my best ideas

Many asset managers launch new funds to capture every passing trend or marketing narrative. While this maximizes fees, it rarely serves the investor. In contrast, I manage a single portfolio that shifts our capital towards the most favorable opportunities as they arise. You get my best thinking, undiluted.

6. We hold a more concentrated portfolio to outperform

Most fund managers own dozens or even hundreds of stocks, often to ensure they do not stray too far from the market average. The reality, however, is that compelling investment opportunities are rare. When I find them, I concentrate our capital to maximise the impact of that insight. The portfolio typically contains around ten securities. In rare instances up to 30% of the portfolio may be invested in a single security at cost. While this approach results in higher short-term price volatility than peers, it improves our potential for superior long-term results. I will diversify further only when many outstanding opportunities are available. Typically, this is not the case, and I would rather own more of my top idea than introduce my thirtieth best one for the sake of a smoother ride. Finally, it is worth remembering that by investing globally, we inherently achieve greater diversification than by limiting ourselves to a single market. A portfolio of ten high-quality multinationals often achieves better diversification than a portfolio of 50 companies all exposed to the same local risks.

7. I do not time the market; I invest bottom-up

I do not forecast stock market movements. If asked for a prediction I will respectfully decline. I do not believe consistent market timing is achievable, nor do I consider it essential. When I find a business that is attractively priced, it would be unwise not to act simply because of short-term predictions of what the market might do. I therefore invest bottom-up, focusing on the intrinsic value of individual businesses. Changes in equity and cash balances are a natural outcome of this search for opportunity. For example, when investments reach intrinsic value and attractive opportunities are scarce, the portfolio may temporarily hold more cash. I aim to remain fully invested in equities whenever possible, but never at the cost of overpaying. A higher cash balance may appear to reflect a market view, but it is simply the disciplined result of a bottom-up approach.

8. The partnership follows an absolute return mindset, not a relative-to-the-market one

Starting from cash, it seems rational to invest only when the expected return meaningfully exceeds the cash return, rather than selecting the least expensive components of an index that may itself be priced to deliver negative returns. My goal, therefore, is to invest only in businesses that are substantially undervalued, ensuring positive returns that significantly outperform the opportunity cost of capital. Over the long term, I have faith that this absolute return approach will also lead to outperforming the indices.

9. The partnership embraces market volatility

Over the long run, common stocks have proven to be the superior asset class for wealth generation, and you should expect the market value of your investment to grow. However, this performance comes with a specific price of admission: volatility. Temporary declines in market prices will reduce the market value of your portfolio, but I focus only on whether the intrinsic value of the portfolio has changed and seek to take advantage of these fluctuations. To reap the rewards from stock market investing, you must accept that your portfolio may experience declines of 40% a few times in your lifetime. While many investors perceive market volatility negatively, it is our basic advantage. Volatility creates opportunities to buy undervalued businesses and sell overvalued ones. It is a core driver of the long-term returns I aim to generate.

10. Judge performance over a minimum of five years

My long-term goal should be checked occasionally for results. While I prefer ten years, I consider a rolling five-year period the minimum for judging performance. There will inevitably be years when my performance falls short, possibly significantly below that of the global stock market. This is not a flaw in the system; it is a mathematical certainty of doing something different from the index. History shows that even the very best long-term investment track records involved underperforming the market 30-50% of the time. In the short-term results are unpredictable and are as likely to disappoint as they are to please. In the long-term results will reflect the performance and value of the businesses we own. **Therefore, Clarence Drive Capital is not suitable for investors with timeframes of less than five to seven years.** We require this duration to allow the compounding power of our businesses to outweigh the randomness of market sentiment.

11. How to judge a single year: relative not absolute

As short-term results are unpredictable my performance in any given year should not be judged by whether I achieve positive or negative returns. Instead, it should be evaluated in the context of the environment and how I perform relative to the global stock market average. If results surpass the performance of the world stock market average, I consider it a successful year, regardless of whether we post a gain or a loss. To be clear, over the long term, our objective remains to deliver absolute positive returns that meaningfully exceed the opportunity cost of capital.

12. I commit to radical transparency

I will be transparent in my reporting to you, keeping you informed about both the good and bad in the portfolio. My goal is to ensure that you have a clear understanding of my decision-making process and how we are doing.

Occasionally investments will not work out as intended and I will inform you about them. It is important to understand the "base rates" of investing: history shows that even the best investors outperform the market only about 55% of the time. Even more important is the magnitude of the wins versus the losses. A few large winners can meaningfully compensate for many smaller errors. The fact remains that mistakes are inevitable. Documenting them may be uncomfortable, but it is far preferable to selective reporting and is essential for the continuous improvement of the investment process.

I will discuss new ideas to the extent that it does not interfere with my ability to acquire them at attractive prices. Good investment ideas are rare and subject to appropriation. When discussing new ideas, I am also mindful of commitment bias, the psychological tendency to stick to a view simply because one has declared it publicly. When the facts change, it is crucial that I change my mind. For both these reasons, protecting our entry price and preserving mental flexibility, I may sometimes reserve commentary until a position is fully established.

You can expect an annual letter, an interim update, and ad hoc investment articles sharing my latest thinking. I approach the interim update with some hesitation. My concern is that frequent reporting may inadvertently encourage partners to focus on short-term performance, a perspective that is often noise rather than signal. I ask that you read these with a long-term lens. From the administrator, you can expect a monthly report where you can view all holdings, transactions, and the current value of your account. I believe these documents together should equip investors with the necessary information to assess my actions and performance effectively. I remain accessible to my partners, and I welcome any questions regarding the portfolio. I simply ask that you review the provided communications first, as they often contain the answers to the questions you may have.

13. Structure and how to invest

Clarence Drive Capital offers two primary investment vehicles:

1. **Direct Offshore Account:** Each investor owns an account in their own name, managed through **Interactive Brokers**, a leading US brokerage offering low trading costs and the broadest access to securities. Clarence Drive Capital, as advisor, has the authority to place trades on your behalf. Because you retain direct custody of your account, you can rest assured that, should I become incapacitated, your assets remain safe and accessible via Interactive Brokers. In such an event, I have arranged for recommendations to be provided to ensure a smooth transition should you wish to appoint another manager.
2. **The Tax-Efficient Life Wrapper (Old Mutual):** An optional tax-efficient structure via an Old Mutual International life wrapper, generally sensible for investments of R2 million or more. This vehicle offers significant advantages regarding tax and estate administration:
 - **Tax efficiency:** Capital gains tax at a flat corporate rate of 12%, automated recoupment of dividend withholding tax above the standard 20% rate, automated tax administration and reporting to SARS.
 - **Significant estate planning benefits:** This includes bypassing all estate duties abroad, avoiding South African executor fees (typically 3.5%) and ensuring near-immediate access to funds. If a spouse is named as the beneficiary, South African estate duties (20%+) are avoided as normal.
 - **Cost:** Old Mutual's fees are on a sliding scale, ranging from 0.55% to 0.2% per annum, depending on the size of the investment.

14. Partnership Fees

Investors who invest directly do not pay initial or redemption fees. I welcome direct communication and believe initial fees or redemption fees unnecessarily hinder performance. As long-term investors, portfolio turnover will be low, allowing me to keep transaction costs and taxes to a minimum.

I have developed a unique approach inspired by the original Buffett Partnership, reflecting my philosophy that I should be compensated only when I deliver value. Accordingly, the management fee is designed solely to keep the lights on. It does not generate a profit for the firm. I earn a profit only when I produce results. Our performance objective is to deliver absolute returns that meaningfully exceed inflation and the opportunity cost of capital. For reference, long-term government bond returns have historically been around 5–6% in US dollars (9-10% in Rand).

You may choose between two structures. **In the performance-based fee model:**

- **A management fee** is strictly limited to covering the fixed operational costs of the business and is **capped at 0.8%**. As Assets Under Management (AUM) grows, the management fee decreases as a percentage toward zero, as the fixed costs are spread over a larger capital base. The management fee is reviewed annually each October, with any adjustment permitted only downwards.
- **A performance fee.** I earn **20% of the profits only after exceeding a 6% US Dollar hurdle** (approximately 10% in Rand).
- **High-Water Mark:** A high-water mark applies, ensuring I do not earn performance fees on the recovery of past losses.

For investors who prefer predictability, a **fixed-fee option of a flat 1.4% per annum** is available.

Note: Revenue from fixed-fee investors contributes to covering the firm's operational costs, helping to reduce the effective management fee for the performance-based investors.

Ultimately, the choice is yours:

- Performance fee structure: you pay lower fees when returns are modest, higher fees when returns are strong.
- Fixed-fee structure: you pay higher fees when returns are low, but relatively lower fees when returns exceed the norm.

This structure reflects a true partnership. By passing on the benefits of scale to you and tying the firm's profitability directly to your results, I succeed only when you do.

15. MORE ON HOW I INVEST

Section 15 provides further insights into the investment process. Our strategy is to own a collection of predominantly exceptional businesses led by exemplary management, acquired when they fall out of favour and can be purchased at an attractive price relative to their future earnings power. Prioritizing high-quality businesses is based on the observation that over the longest periods of time investment returns converge with the underlying financial performance of the business. As a long-term investor, I aim to identify such businesses, then buy them at a discount, allowing me to compound capital effectively. My process entails studying businesses closely to assess their worth. I invest when a company is unpopular and trades at a significant discount to its intrinsic value, and I sell when it becomes popular and the price reflects its full potential.

15.1 Defining quality

At the heart of capitalism is the principle of competition. Companies earning excess returns on invested capital inevitably attract competitors, who drive those abnormal profits down. That is, unless a company possesses an enduring competitive advantage or moat that sustains its higher profitability. High-quality businesses generate durable excess returns on invested capital, supported by sustainable competitive advantages and disciplined capital allocation by management. When these high incremental returns are combined with growth, the result is substantial value creation.

What are the sustainable competitive advantages that enable a company to defy the laws of capitalism? I typically identify and invest in the following four moats:

- **Network effects:** Often the most powerful advantage, this occurs when a product or service gains additional value for its users as more people use it, creating a positive feedback loop that can lead to a "winner-take-most" market dynamic. Consider companies like Meta (Facebook, Instagram, WhatsApp). Replicating a network with nearly 3.5 billion daily active users is nearly impossible once users are engaged and their social graph is established. Marketplaces like Amazon have a two-sided network effect: a large buyer base attracts more sellers, increasing product variety and competitive pricing, which in turn draws even more buyers, creating a virtuous cycle that is difficult to disrupt. Airbnb's hosts attract travellers, and more travellers encourage additional hosts, enhancing the platform's value. Similarly, stock exchanges demonstrate the oldest form of this advantage: more participants lead to greater liquidity, tighter spreads, and faster price discovery, making it irrational to trade on a smaller, competing exchange.
- **Other intangible assets:** These are non-physical assets including **strong brands** that lead to pricing power and/or consumer loyalty, **intellectual property** (patents, trademarks, copyrights and trade secrets), **while licenses** can also offer protection against competition. Brands must be able to influence consumer behavior to be valuable. If a brand reduces the time a consumer spends on deciding or it commands pricing power, it is valuable. Patents are typically less durable due to their expiration dates. Government licenses (e.g. rating agencies) are particularly valuable when they limit the number of players in a market but do not regulate the prices those players can charge.
- **Switching Costs:** When customers face significant effort, risk or expense to switch, the business gains pricing power. For example, the deeply ingrained workflows and muscle memory associated with software like Excel create natural barriers to exit.
- **Cost advantages:** In industries where the product is a commodity, the lowest-cost producer typically wins. Scale economics, the advantage of being large relative to the competition in a high fixed cost business, can lead to a meaningful cost advantage. Netflix is a prime example. It can spread its massive, fixed content costs across a large subscriber base, lowering unit costs and allowing it to offer a better product at a lower price while being more profitable. Scale can also entail dominating a niche market, where the small size of the market makes it uneconomical for new entrants to invest the required capital, particularly if specialized knowledge or expertise is needed. Cost advantages can also arise from factors like location (a quarry near a city reduces transport costs) or geology (a high-grade mine).

These competitive advantages often combine to create a powerful moat, resulting in excess returns that are difficult to erode. I typically look for companies where these advantages translate to a superior value proposition to the customer, signalling an enduring ability to grow. My goal is to find these excess returns on capital when they are out of favour, offering the opportunity to acquire them at a bargain price.

15.2 What makes a great management team?

While a great business can sometimes survive poor management, a great management team is essential for maximizing value creation. I seek out able, trustworthy and owner-oriented managers that treat their shareholders like partners. When evaluating management, I apply the following framework:

1. Is management able and trustworthy?

I look for capable managers who deliver on their promises. They must be honest and direct in their communication and report mistakes as clearly and quickly as they report successes.

2. Is management owner-oriented?

- a. Long-term focus:** I look for management who are in it for the long-term, who take decisions to widen the moat rather than "milk" the business for short term gain. Our managers are typically purpose-driven, customer-focused and treat the business as their life's work.
- b. Rational capital allocation:** I assess their track record of reinvestment decisions, acquisitions, share buybacks, dividends, and debt repayment. Do they have a clear capital allocation framework? Crucially, do they have the character to resist the "institutional imperative" to grow at any cost, avoiding the trap of mindlessly imitating peers?
- c. Incentives aligned with long-term value creation:** Incentives drive behavior. I view the motivation of a company's leadership as a critical force in determining investment outcomes.
- **Remuneration:** If you want to know how a manager will act, look at how they are remunerated. I assess the compensation plan to ensure it rewards long-term value creation (e.g., Return on Invested Capital targets) rather than just size (e.g., total revenue or EBITDA). Incentives based purely on size often encourage empire-building, leading managers to overpay for acquisitions or spend capital unwisely to "buy" growth.
- **Skin in the game:** I look for significant insider ownership. Managers who own a significant amount of stock think like owners because they *are* owners. I also monitor insider buying and selling as a signal of their confidence in the business's intrinsic value.

15.3 Distinguishing between good and bad growth

While investors rightly focus on earnings per share (EPS) growth, not all growth enhances intrinsic value. Growth creates value only when it is achieved by investing capital at returns above the cost of that capital.

New industries may appear to offer compelling growth opportunities, but if barriers to entry are low, an influx of competition will drive returns on capital down, undermining value despite apparent growth. Similarly, when companies overpay for acquisitions, or repurchase shares at inflated valuations, it erodes value.

By combining my analysis of a company's sustainable competitive advantages (can they protect excess returns on capital) and management's capital allocation (are they spending it wisely), I determine whether growth will be value-accretive or value-destructive.

15.4 Investing with a margin of safety

I always acquire assets at a substantial discount to my assessment of their intrinsic value. By investing with a margin of safety, I seek to simultaneously minimize the risk of loss and maximize the potential for upside.

Furthermore, to avoid overpaying for businesses, I carefully analyse the reasons behind any mispricing and assess whether I have a distinct advantage over the market. This edge typically stems from two factors: analytical and behavioural. My analytical edge comes from assessing the same public information as the crowd but reaching a different conclusion about the business's underlying economics. My behavioural edge stems from the temperament or emotional resilience of maintaining a long-term focus — weighing what a business is worth, while the market votes on the present.

15.5 Businesses I aim to avoid

As Charlie Munger wisely said, "All I want to know is where I'm going to die, so I'll never go there." I apply this same logic to investing by inverting the problem. Instead of asking only, "What will make us rich?", I first ask, "What will make us poor?" and then studiously avoid those situations. I systematically seek to avoid:

- **Structurally Disadvantaged Businesses:** Companies in industries with fierce competition, chronically low returns on invested capital or whose long-term fundamentals indicate declining business value.
- **Misaligned Management:** Companies where incentives do not align with long-term value creation, leadership lacks "skin in the game," has a history of enriching themselves at the expense of shareholders or is currently misallocating capital.
- **Fragile Balance Sheets:** Companies with excessive debt. Debt reduces a company's staying power during hard times, turning temporary problems into permanent ruin.

In a bad business, time is your enemy. While you wait for the discount to close, the intrinsic value of the business is slowly eroding. The longer you hold, the worse off you become. In a great business, time is your friend. Even if the stock price does nothing, the value of the business is growing, increasing your safety margin every day.

I seek to avoid poor businesses completely. For businesses of fair quality, I insist on a massive margin of safety and will sell as soon as the price nears fair value. In contrast, for high-quality businesses capable of compounding their intrinsic value over time, the approach is different. Here, the goal is to hold on.

Note: For cyclical businesses, I only consider investing at the low point of the cycle — when returns on capital are depressed, capital is exiting the industry, and the business is trading at a significant discount to its mid-cycle earnings power. This approach may cause me to forgo certain cyclical opportunities, but it protects us from buying at the top of a cycle, which is one of the most common ways to permanently lose capital.

15.6 The pursuit of rationality

To succeed in investing, one must navigate a delicate paradox: balancing confidence with humility. I need the confidence to act decisively when I have done the necessary work to form a well-reasoned, differentiated opinion, even when the crowd is paralyzed. At the same time, I must remain humble, asking whether the other side of the trade might be right.

I find that a focus on risks, rather than risking overconfidence by focusing only on what can go right, is a safe starting point. As Mark Twain wisely said, "It's not what you don't know that gets you into trouble, but what you know for sure that just isn't so." And as Charlie Munger reminds us, "The human mind is like the human egg. Once an opinion gets in, it shuts itself off to other opinions." People tend to cling to their conclusions, even when they may be incorrect. I believe in reserving judgment until I have thoroughly worked through my mental models, rather than jumping to conclusions based on one appealing aspect of an investment thesis. In this way I hope to stand a better chance of not deluding myself and staying rational. When new information arises, I strive to avoid inertia. I revisit my thesis and investment markers regularly, so when the facts change, I can adapt my thinking. As Charlie Munger aptly put it, "Any year that you don't destroy one of your best-loved ideas is probably a wasted year."

To outperform the market, I must identify instances of market irrationality. To ensure I am not the one being irrational, I employ the following toolkit:

- **Valuation checklist:** A sound, independent framework for analysing businesses before forming an opinion.
- **Behavioral checklist:** A specific list of questions designed to guard against common cognitive biases.
- **Probabilistic thinking:** I avoid thinking in certainties. Instead, I focus on probabilities and asymmetry, seeking situations where the potential reward of being right far outweighs the cost of being wrong.
- **Emotional anchoring:** I maintain a long-term perspective on competitive positioning and intrinsic value to counteract the emotional volatility of daily price action.
- **Patience:** The discipline to sit on my hands and wait for the fat pitch or for the thesis to play out.
- **Thesis tracking:** I track my investment thesis against new information so I can be open to change my mind when the facts change.
- **The decision journal:** I document the rationale for every investment decision when it is made. This mitigates hindsight bias and allow me to learn from outcomes.

15.7 How I manage risk

My primary litmus test is the ability to sleep soundly at night.

I reject the common academic assumption that risk and return are always positively correlated. The riskiest assets do not necessarily deliver the highest returns; taking on more risk can reduce returns if it leads to losses. The opposite is often true: by buying an asset at a lower price, you reduce your risk *and* increase your potential return.

My goal is to make money, but with limited risk. As Warren Buffett has famously said, "Rule No. 1: Never lose money. Rule No. 2: Never forget Rule No. 1." Over time, by consistently avoiding losses, we pave the way for healthy gains.

I adhere to a common-sense view of risk, distinct from the definition that risk is "volatility." I define risk as the probability of a permanent loss of capital. What is the probability of loss and how much of an investment I can lose permanently if I am wrong. I manage this risk at two levels:

1. Risk management at security level

- **Clearing a high bar:** I have a minimum set of criteria for each business before making an investment. I may disqualify a business if it does not meet some of the following qualitative elements: a strong competitive position or moat that sustains business success; fundamentals that imply stable to growing business value; an able, trustworthy and owner orientated management team; conservative financing; low in the cycle; unpopularity; or when I can't identify an edge over the market.
- **The margin of safety:** Buying undervalued securities is our primary defence. By demanding a meaningful discount to intrinsic value, we build a buffer against errors and bad luck.
- **Asymmetry:** Risk means many outcomes are possible but only one outcome will occur. Therefore, I only enter situations where the probability of being right is high, and even if I'm wrong and the low probability worst case event occurs, the downside is limited.
- **Risk-adjusted hurdles:** I require a significantly wider margin of safety for a business with less predictable cash flows than for a more predictable business. The potential reward must always justify the risk incurred.
- **Conservative assumptions:** When valuing a business, I lean on the side of conservatism. I prefer to be pleasantly surprised by the upside than blindsided by the downside.
- **Ongoing monitoring of positions:** Risk is further mitigated by ongoing monitoring of the portfolio positions and knowing why each investment I make is mispriced.
- **Sell discipline:** I typically sell near intrinsic value. Holding an overvalued asset acts as a drag on returns and exposes the portfolio to a permanent loss if the valuation corrects back to or below fair value.

2. Risk management at portfolio level

- **Conviction-based position sizing:** I allocate capital based on conviction and safety. The best ideas (highest quality, lowest risk of loss) receive the highest weight. Few positions will exceed 10% of assets at cost.
- **Diversification:** I further reduce risk through diversification across business, sector, and geography. The combination and variety of individual margins of safety creates a safe portfolio.
- **Cash:** I may reduce risk by my willingness to hold cash when I am unable to identify attractive opportunities.

16. About Clarence Drive Capital

Clarence Drive Capital is an independent investment management firm established in 2024. Johannes Visser founded the firm after fifteen years serving as an analyst, head of research, and global portfolio manager at leading boutique asset managers in South Africa. He established Clarence Drive Capital to create the investment vehicle he himself would want to invest with — one built on temperament, strategic edge, and true partnership.

The firm cultivates select partnerships with aligned investors. The objective is to express our shared competitive advantage in the portfolio to drive long-term results. This edge stems from a long-term orientation that allows us to look past short-term swings in sentiment, a broad global opportunity set that enables high selectivity, and an ownership structure that ensures the independence to sustain this perspective.

17. Contact

If you're interested in learning more about the partnership, I welcome the conversation.

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