

My Charlie Story

A few days after Christmas, I was sitting in the office when I received the most surreal phone call of my life. On the other end of the line was Charlie Munger, and he wanted to talk about the book I was about to release.

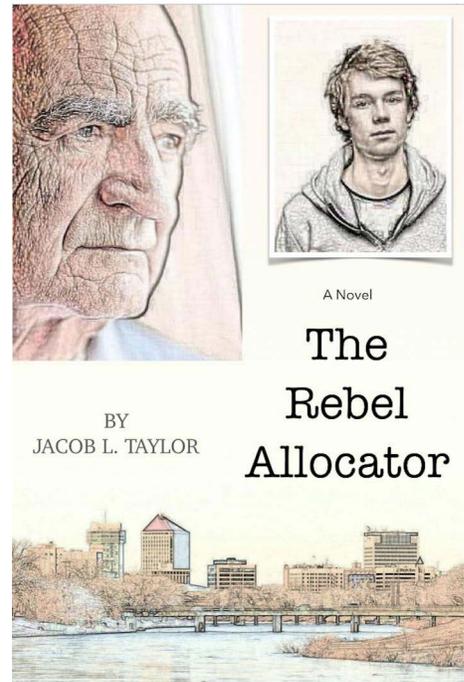
Wait, what?! The ninety-five year old billionaire, Charlie Munger, who thousands of people from all over the world fly to see in Omaha every year? One of the great thinkers and role models of our time? One of my biggest heroes?

Yep, *that* Charlie Munger.

Before I tell you what he said, let me explain the genesis of the book. In the course of learning about business and investing over the last decade plus, I've come to recognize the importance of capital allocation. Defined more simply, capital allocation is nothing more than answering the question, "What does a business spend its money on?" The answer can range from paper clips to stock buybacks. After studying a lot of great managers, and some not so great, I felt I'd uncovered a few core principles that seemed to work. We've written about these observations in [previous letters](#).

Surely, someone had already beaten me to the punch and written the definitive book on such an important topic? Not really.¹ I decided to give my own take on it. I started working on a non-fiction book, investing nearly eighteen months into the research process. Yet numerous nudges from the universe forced me into a realization: I had to tell a story if I wanted the lessons to sink in and have any chance at lasting relevance. Back to the drawing board I went. Trashing the original concept, I pivoted to a fictional coming-of-age story about a young man who learns important business principles from a wealthy Midwesterner. I tried to give the book movie-like pacing to keep the reader engaged.

¹ I'm stretching the truth here. William Thorndike's *The Outsiders* is a fantastic book and does a great job describing the similarities between all-star capital allocators. It's a classic. Additionally, Michael Mauboussin has written several canonical white papers on the subject. They're terrific, as is all of his research.



After more tinkering (measured in years) than I care to admit, the final product is *The Rebel Allocator*, which released on January 14th. It was quite a relief to finally publish *something*.

As I write this, *The Rebel Allocator* is the number one new release in the “Investing” category of amazon. The glowing feedback I’ve already received from readers around the globe has been humbling. I’ve also been reminded how many outstanding friends I have as they’ve helped me celebrate getting something over the finish line.

Back to Charlie. Being one of my heroes, I naturally sent him an early copy of the book. I imagined the best case scenario would be a quick thank you note. I’d have been happy with that. Never in my wildest dreams did I expect a phone call. Yet over the course of our twenty minute conversation, he told me he read every damned word of the book (classic Charlie) and that he liked it. But what he really wanted to tell me was that I needed to figure out how to get it made into a movie. He said it’d make more of a splash on the big screen. (I don’t know anything about making movies, but I’m open to discussions if anyone wants to help with an introduction to the right people.)

Charlie had specific storyline and character ideas and was surprisingly engaged. I must admit, after battling a mountain of self-doubt around this project, it was validating that Charlie cared enough to call me. He’s one of the people on Earth whose opinion I most respect. He’s read north of 10,000 books in his ninety-five years. What are the odds mine would matter?! I’m still in a fog of amazement weeks later. (My secret hypothesis is that he’s read mostly dry non-fiction for all these years, so anything with a story arc had a chance of intriguing him. I must have caught him at a vulnerable moment around the holidays. :)

Here’s where the story gets even more wild. Charlie told me he had his assistant print out our Farnam Street quarterly client letters to read. *I’m dumbfounded!* He said I shouldn’t feel bad about not finding investments for the last few years--it’s been a crazy time in the markets. He said he’d actually be worried if we were finding a lot. He told me to go where the fish are and not to force it. It’ll be obvious when the time is right. *Talking shop with Charlie!* I can’t express how ridiculous this all is for a Berkshire fanboy like myself.

As luck would have it, I’ve been working on an investment idea for a number of months that fits perfectly with Charlie’s advice. I don’t believe serendipity is usually a good investment strategy, but how much less subtle could the universe get? I’m still conducting due diligence, so look for a write up on this one in a future letter.

That’s my Charlie story.

Friendly Reminder

There's still time to contribute to your IRA for the 2018 tax season and defer some of your tax bill for last year. The limit is currently \$5,500 (\$6,500 if you're over fifty). As John D. Rockefeller said, "Save when you can, not when you have to." We can help with the deposit if you'd like.

As always, we're thankful to have such great partners on this wealth creation journey.

Jake & Lonnie

P.S. If you're a client of FSI, shoot Amy an email (amy@farnam-street.com) and we'll happily send you a copy of the book. (You can request an autographed version, but that will likely hurt your resale value! :)

It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities discussed. Fund results may differ significantly from separately managed accounts. Individual SMA results may differ due to timing of, account size, and portfolio strategies.