

“I believe that to have a great company you have to make two things great – the culture and the people. If these two things are great your organization can navigate the twists and turns to get you where you want to go.”

-- Ray Dalio, Bridgewater Associates

This is our first commentary under the Laurus banner. In the coming months and years, these succinct monthly updates will endeavor to shed light on how the selection, valuation, and portfolio construction processes developed over the years - now at the core of Laurus – will translate the exceptional long term performance from the past into our clients' future success.

Interestingly, people always seem to wonder first at our name. Laurus is an evergreen tree (more accurately *Laurus nobilis*) indigenous to the Mediterranean. Its leaf was fashioned into a wreath and given as the prize in the Pythian Games, forerunner to the modern Olympic Games. We feel it reflects the highest standard – something Laurus will constantly try to achieve on behalf of its clients.

Of course, the next question tends to be “Does the industry really need another investment counsel?” Obviously, we think it does. Clients can be treated with more respect, their capital can be invested more prudently and, in doing so, their expectations can be exceeded. These mandates encompass our mission and goals.

Everyone at Laurus participates, and will participate, through ownership. Like the businesses we invest in, this practice ensures full alignment with the goals of the organization. Our culture will be one of participation and responsibility – one that brings out the best in everyone, and fosters independent thought within a disciplined investment mindset.

Quite a few initial clients have shown confidence in Laurus by committing their capital to our care, with more indicating participation in the future. Our clients are, and will be, mostly “institutional” in nature – mutual funds, family offices, and pension funds. And with considerable history managing foundation assets, we believe Laurus provides a unique solution for the not-for-profit institution, combining the two pillars of cash receipts and cash disbursements into a unique investment construct.

Our intention is to focus solely on small cap investing, but clients have asked us to assume other mandates in the belief that we can consistently earn investment returns that are superior to all broad equity markets. Why? Because our process is focused on owning above average companies.

Of course, everyone claims to be looking for great companies, or undervalued companies, or even the well-worn phrase “wealth-creating” companies. We have the unique advantage of having proven that our research process has separated the wheat from the chaff over many years of managing client wealth. Our approach to finding the highest quality companies focuses on identifying outstanding management teams – those of the highest integrity and caliber who are searching for ways to gain an edge on competition and earn superior returns for their shareholders.

Once great companies led by outstanding management are found, we are less concerned with whether or not the stock is “cheap” by traditional measures – a long term view of what the company is worth in the future is developed and a purchase of the stock is made at a significant discount to that value. The goal of that process is not to enhance returns but to mitigate risk – defined not by short term price decline (which is usually viewed as an opportunity) but as potential permanent loss of capital.

We will go into our process in greater detail in future commentaries. For now, we will continue to focus on building a great culture with great people to exceed our clients' expectations.