



November 2021

Dear Fellow Investors,

The Partners Fund returned approximately -5% in the third quarter, bringing year to date returns to approximately +22% through September. Please check your statements for actual returns as they vary by investment date and class.

Given that a fund of funds invests in other funds, long-term returns are essentially driven by a combination of the quality of the managers selected, any assistance they receive or distractions they encounter along the way, and luck. While I do engage in one superstitious behavior designed to improve our luck (avoiding red clothing when the markets are open), focusing any actual attention on luck is a waste of time. This leaves us with the quality of managers and our ability to provide support in ways we think have a good chance of improving returns. Helping is not an easy task, in part because, for many managers, time is their most precious asset. The difficulty is compounded by the diversity of styles, portfolios, and the fact that the managers in the Partners Fund are a collection of many of the best investors I know. We are not trying to turn C players to A players, just trying to make A players incrementally better at their craft.

The Partners Fund and the Royce Family recently hosted two dozen managers at the Ocean House, a beautiful hotel property on the Rhode Island coast. We paid all expenses and provided a beautiful setting. The only ask of the managers was that they come with a learning mindset and be willing to share an investment idea with the larger group. For this event, I invited managers the Partners Fund is already invested in and who should be familiar to you. We also included a selection of managers I respect and hope to invest in some day, such as David Capital's Adam Patinkin, who has been a generous source of investment ideas and shaped my investment thoughts during the heights of the pandemic. When investing the Partners Fund's capital, one of my challenges is that there are simply more managers who both fit our criteria and are people I respect than we have capacity to invest in. Even though a majority run relatively concentrated strategies, investing in all of them would lead to over-diversification, even if we had unlimited capital.

The last time we convened a group of managers at a retreat, we brought in former professional poker player and decision science educator Annie Duke, the author of "Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts." As outcomes are largely driven by the quality of our decisions, even a modest improvement in collective decision-making, compounded over years, could have a substantially positive impact on returns. This year's gathering focused on improving the quality of information being used to reach decisions. In particular, we focused on the arts of asking questions and listening, two skills managers use daily to inform their investments but are rarely discussed or dissected. To lead these sessions, we worked with Will Oliver and Will Barnes, co-founders of [In Practise](#), and journalist/author/speaker [Cal Fussman](#). While conducting interviews with thousands of management teams, "the two Wills" of In Practise have gained tangible expertise on all facets of the process – interview selection, preparation, types of questions, sequencing of questions, staging, pitfalls to avoid, etc. – all targeted at extracting useful insights to inform an investment thesis. In contrast, Cal's expertise was developed from a range of experiences outside of the investment field, including his decades as lead writer for Esquire



Magazine's "What I've Learned" column, for which he has interviewed hundreds of the world's most influential individuals, including Mikhail Gorbachev, Jack Welch, Robert De Niro, Barbara Walters, Bruce Springsteen, and Muhammad Ali.

I am a hard grader on myself. There is always room for improvement and this event was no exception, but I wish you could have been there. We all came away having honed our question-asking approach to strategically get the information we're really looking for and listening in a way that builds a story versus a collection of facts. More importantly, relationships were formed and collaborations were fostered. I believe we're living in an investing world where qualitative insights are more valuable and actionable than quantitative insights. Asking the right questions, listening, sharing, and collaborating form the path to building a richer mosaic of information. I found myself sitting in a room full of fellow "stock nerds" having my conviction reaffirmed that the Partners Fund managers can generate attractive risk-adjusted returns over the medium- and long-term. There are no guarantees, of course, but combining the investing talent in the room with an orientation of learning, sharing, and improving creates a winning hand in my book.

As I have said at the end of every letter, our fund of funds is going to be different. It will be smaller, the underlying holdings will be more esoteric, and I hope the managers will continue to collaborate more over time. I believe that it will be "good different," but only time will tell. Thank you for joining me on this journey. I will work hard to grow your family capital alongside mine.

Sincerely,

Scott Miller



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