2023 ANNUAL LETTER

AWE, HEALTH, AND FEAR

PERMANENT EQUITY

"I want to sing songs about the truest of trues, in a language that the whole world can understand.."

– Steve Garber

As I reflect back on the last year, the dominant feeling I have is awe.

I'm in awe of the new friendships made and the old friendships deepened. I'm in awe that after miscarriages and heartache, God is giving my wife and me a baby boy coming in February. I'm in awe at the positive changes my body has undergone.

When you step back, it's all awe.

I once heard an astrophysicist say that the odds that Earth is even able to sustain life of any kind is the equivalent of playing 10,000 hands of poker and getting dealt a royal flush every time. We shouldn't even be here. And yet, here we are.

I'm awestruck at what Permanent Equity has become. We have a world-class team doing, at scale, what we love in a place we enjoy calling home. We get to wake up every day and help families and organizations be better versions of themselves. We are blessed beyond measure.

Here's how this year shook out in numbers:

In our second fund, we invested $85M in three new acquisitions. System-wide, 16 portfolio companies, including fund investments and direct investments by the firm, distributed more than $35M back to investors while reinvesting millions more (without selling an investment). 1,200+ people journeyed to our hometown of Columbia, MO, for two events — Main Street Summit and Capital Camp. Oh, and we added two new offices a couple of doors down.

Just five years ago, this scale was unimaginable. Living through it fills me with awe.

What Would You Say You Do Here?

This is a question I've wrestled with my entire, strange career. In the early days, I was the idea guy, the sales guy, the grind-it-out guy, the hiring-and-firing guy, and the whatever-had-to-get-done guy. If necessity is the mother of invention, then small business life is the father of multitasking.

I started hiring people more talented than me to do all of the things that I either didn't like doing or wasn't great at. And they started hiring talented people. Pretty soon I found myself doing primarily things in my zone of gifting, and so did they. Isn't that the beautiful thing about preferences and comparative advantage? One person's professional hell is another person's heaven.

My goal was, and is, to always be useful, but never necessary. Each time I was necessary, I would make a note and try to figure out a way to empower someone to do it better than I ever could.

It has been about a year since I gave up leading day-to-day investing and operations, entrusting Tim and Mark as Co-Presidents with their respective divisions. Here's my update — awe! I'm in awe that I get to work with such talented people who are trustworthy and caring, and who consistently exhibit great judgment. And under their leadership, I see the organization blossoming. I can honestly say that they're doing a better job than I ever did.

As CEO, my days are now primarily spent at the intersection of what I love to do and where I've been given talents. I get to serve our team and continue to build our culture, recruit new team members, spend time with potential investors and partners, architect deal structures, advise on impactful operating situations, occasionally rescue a deal, and figure out what comes next.

Despite the never-ending challenges, disappointments, and trials that come with helping loosely functioning disasters (i.e., all organizations), life is good and I'm grateful for it.

What We Invest In and Why

Ten years ago I'd pretty much invest in anything I thought was highly profitable. I had relatively little money, not a ton of experience, and what felt like a lot of time, which led me to evaluate opportunities across the spectrum. I did some real estate investing, created a few startups, invested in early-stage companies, and of course bought small businesses. While there were some mistakes, each category of investment was quite profitable. Ultimately, I liked buying small companies more than anything else and thought we had the best shot at being world class at it, hence the singular focus.

Within the SMB acquisition space, my original criteria was all based on price. I knew I was inexperienced and didn't have a refined palate. Cheapness felt solid. But even that gets squishy in the details. Early investments taught me a lot about working capital changes, cyclicality, pricing power, reinvestment needs, and taxes. A four-times multiple on a mediocre business can sure feel expensive once you close and realize what you really bought.

We continue to believe the market for smaller companies (the lower-middle market) is significant and inefficient, and will largely remain so due to enduring structural frictions.

To define the playing field, the lower-middle market is typically classified as companies with annual revenues of $5M to $100M, with approximately 350,000 U.S. companies qualifying. This compares to about 25,000 companies with revenues between $100M to $500M called the middle market and the few thousand companies with revenues above $500M that make up the upper-middle market .

To put it plainly, smaller companies operate differently than bigger companies, come with different challenges, and require different levels and forms of risk mitigation. There are few people who have the necessary skills to parse these complicated situations, mostly because the only way to acquire the skills is to do it and pay the tuition of struggle.

Grand ambitions of the inexperienced die on the altar of day-to-day operating brutality. Doubling market share and bolting on your five competitors sounds great in theory until your warehouse manager steals in order to support a hidden addiction, the government informs you that you're under investigation, or a whole division gets poached by a competitor.

Those who buy successfully once or twice almost always lack the ability to firm-build or maintain focus. In my experience, having done it personally and watched many attempt it, it's difficult to successfully buy and operate one company. It's much harder to buy three or four more, which forces the creation of new roles, new systems, and an exponential growth in complexity while causing a system-wide dip in profitability as you plough profits into infrastructure. It's then another order of magnitude harder to build and fund a repeatable system that scales to 10-plus companies. And if you happen to run the gauntlet and build a successful firm in this segment of the market, fee incentives virtually guarantee you'll leave it for the greener pastures of bigger deals.

These dynamics lead those who can successfully find, negotiate, diligence, document, and operate at scale to investment opportunities with a clear line of sight to 20%-plus cash yields annually by maintaining the status quo, with good probabilities of growing to 30%-plus by being helpful and improving business hygiene. As cash flows grow and the businesses are professionalized, equity value should compound, adding significant upside from the cash yields. There just aren't many markets in the world with that type of earning potential, no matter the risk and difficulty required.

As we've looked at 15,000-plus opportunities and invested in 15 organizations, we've honed our buy-box to companies with a track record of generating meaningful distributable free cash flow with high relative margins, fast relative cash conversion cycles, minimal required maintenance CapEx, and something misunderstood about the situation or organization. Our favorite situations are ones where our value proposition (no debt, long time horizon, high care) gives us an advantage in negotiating the price, terms, and structure of a deal relative to other buyers. We look for businesses where there are clear opportunities for us to assist in areas where we can be helpful, such as hiring, marketing, technology, capital allocation, and working capital management.

Despite new competitors entering the space, regulatory and bureaucratic headwinds at the federal level and in most states, and an uncertain economic and political environment, we find ourselves better positioned than ever to continue to serve our market and build Permanent Equity. Being long term smooths out the short-term variance. Not relying on debt makes us interest-rate independent. And, ultimately, a focus on meaningful relationships is the only truly enduring competitive advantage.

Culture of Buying The Misunderstood

In lower-middle market private equity, there are two types of companies for two different types of purchasers – "down-the-middle" and "weird."

Down-the-middle are opportunities where someone who knows what they're doing has put in the work to build repeatable systems, generate accurate and actionable data, reduce risks, and provide a clear executional path to scale. The leadership team is experienced and incentivized to stick around. The customer base is diversified and sticky. The industry is fragmented. There's infrastructure already built for tuck-in acquisitions, and even perhaps that skillset on staff. They tend, on average, to be larger and faster growing, depending on how early you catch them. These types of businesses are highly valuable and can be bought by almost anyone.

Most private equity firms buy stuff that's down-the-middle, and for good reason. Go to the first principles of the analysts and associates who are doing the work.

They're combing through opportunities to take to their boss. Do you think their first concern is about the absolute value (quality/price) of the investment? Heck no. Their number one objective is to look good to their boss and help their boss, the VP, look good to their boss, the MD. So they're putting forth deals that at first glance look obviously attractive. And that VP is weeding out even more stuff that might not be quite down-the-middle enough. By the time it gets to the MD, there's a beautiful Excel bow tied on it, ready to take to the investment committee. Once it passes the investment committee, it has to be quickly analyzed by the diligence team and approved by the bankers providing debt to the deal, both of whom are even more risk-averse and aren't necessarily staffed with the same level of talent.

From the associate to the VP to the MD to the investment committee to the diligence team and the bankers, there's a decreasing ability to spend time on the investment, decreasing risk tolerance, and escalating career risk, which creates an ever-increasing need to have the investment *look* good and be easily understandable. The desire for quality, of which the absence of complicating factors is a key component, skyrockets and so does the necessary price as the firms all duke it out for these easily-understood, down-the-middle investments. To make up for a high price, mountains of debt are added to lipstick the manicured and well-heeled pig. And, oftentimes it works well enough at scale to keep the game going.

The other way to operate is to embrace situations that look complicated, risky, and weird on the surface, but upon closer inspection, are higher quality than you'd expect and can be purchased at a price that dramatically covers any "fur" on the deal. This is where Permanent Equity loves to play, and our segment of the market is ripe for these types of opportunities.

All businesses are loosely functioning disasters, especially smaller businesses, and some happen to make money. Small businesses don't stay small on purpose.

So, if we do our homework correctly and the market is big and durable, then the only logical conclusion for why a business remains small is that there are complications. These complications require skill to properly evaluate and risk mitigate, take considerable time to investigate, and provide poor optics and resulting career risk, thereby reducing competition. This is the definition of market inefficiency — skill matters, creating opportunities to make or lose considerable sums, and quickly.

All investing is merely the assumption of risk, and in my experience not all risk is built the same. Good risk is that which can be assumed with probabilistically more commensurate reward by someone who has a relative advantage in mitigating it. But often that risk comes with the downside of being non-conventional and non-consensus, creating heightened personal risk to the taker and often leading to inevitable principal-agent problems.

In our second fundraise, we had the head of private investments for a large pool of money tell us that he was optimistic about our future returns, but that he couldn't make an investment in us for his firm. The reason was if we did great, it wouldn't move the needle in his quest to be CIO. And if we didn't do great, it would seriously hurt his chances of becoming CIO because we are non-traditional. But…wait for it…he wanted to personally invest a significant amount, in fact a far greater percentage of his assets than were ever considered on behalf of his firm.

This is the same career risk problem playing out on the LP side, which is often acutely felt by private equity firms. One seasoned GP advised me: "For your first three funds, tell investors exactly what you're going to do, then do it, even if you could generate far better returns by being opportunistic. If your returns are great but optically different than they expect, you'll struggle to raise future funds. If your returns are mediocre but down-the-middle strategy-wise, fundraising will be easier than you expect." The more I get into institutional capital markets, the more I realize it's one big career-risk, principal-agent problem from bottom to top across LPs and GPs.

As we scale, one of the biggest challenges we face is to remain open to the weird, the "furry," and the complicated, and to create a culture that rewards taking idiosyncratic risks. There's a danger that as we continue to scale our systems and the size of our team increases, perceived or real career risk will shoot up and we'll become far more comfortable playing it safe. Safe doesn't, hasn't, and won't generate outsized returns.

How we "stay weird" is top of mind for me and a primary role. It starts with what we reward and punish in the day-to-day trenches of firm operations, and especially how we handle failure. We need to continue to partner with LPs who are truly long term, high trust, and low career risk. We must continue to hire those who share our values, which often means people who come from non-traditional backgrounds. It requires maintaining an atmosphere of intellectual honesty and curiosity.

Fortunately, our structure goes a long way towards allowing us to pursue companies and situations that others cannot. Not using debt in our transactions gives us access to companies with few leverageable assets. Having a 30-year time horizon means we don't need to know who we're selling to in 3-5 years. Our 10-year investment period allows us to be patient and wait for the right opportunities. A fee structure that is completely aligned with our investors allows us to focus on the long-term value of the investment.

If we do our jobs correctly over the next 30 years, we will likely see more zero-out investments than are typical for private equity and hopefully far more upside outliers, too — that when netted together create higher absolute returns. If I do my job correctly, the team will feel empowered to take good risk no matter the optics. Ultimately, I want to be the shit-umbrella for the team as we go through periods of being misunderstood.

Future Funds and Friends

Working our way through the second fund has brought up some great questions about what we want to be when we grow up.

Sixteen years in means that we're no longer the young upstart underdogs we once were, but we've also not "arrived," whatever that means. The average age of our senior team is around 41 years old. We like each other and enjoy what we do. As we've discussed the topic as a team, we're all excited for a long-term commitment, which is convenient considering we raise 30-year funds.

So what's changed from 10 years ago? Well, we have a lot more money. I've joked that we once operated the world's smallest family office. But even small amounts of money turn into something of significance given a decent rate of return and enough time. We've compounded our own resources and we have $350 million of outside capital. This opens up a wider swath of opportunities, which is nothing but upside if we keep our underwriting tight.

Most firms go bigger to gather more fees, leading to larger-and-larger deals and inevitably lower returns as standards necessarily get compromised. Thankfully, due to our novel fee structure, we don't face those same temptations. The way we think about size is merely as a form of optionality. If you have $10 million to invest, your opportunity set is limited to those that need less capital than that. If you come across something needing $15 million, there's nothing to be done, no matter the risk and return profile.

As we've accumulated and raised more capital, it has unlocked valuable opportunity sets. We are still happy to do $10 million deals when the situation is attractive, but we're also excited to invest many multiples of that if those opportunities are even more attractive. This exact situation played out last year, with us investing $40 million in a single opportunity, and again this year with a $68 million check. For those keeping track, those are both around the size of our entire first fund ($50 million). We also wrote a $6M check last year and a $16 million one this year, along with a small tack-on at one of our portfolio companies.

We've had a handful of opportunities these past few years that fit perfectly, but were too big. It pains me when we get to know a family who has a great business, reasonable expectations, loves what we stand for and how we're structured, and is excited to partner with us only to realize we don't have enough firepower. Some have advised, "Just raise a special purpose vehicle (SPV)." And, we might. But we don't want that to be our primary methodology. Low complexity and a sure path to close are stand-out differentiators in a world filled with pass-the-hat deals and complex operating situations that often fall apart.

On the flip side, if we raise too much in our next fund, we'll run the risk of leaving it undeployed in our investment period (10 years), which isn't ideal for anyone. Or, we'll face temptation to loosen our target return profile, which doesn't interest me in the least. We're in the business of doing weird and hard things that have the potential for outsized return. Becoming another commodity lower-middle-market PE shop couldn't be less attractive. I'd rather switch careers.

Instead, the plan is to continue investing in the same ballpark opportunity set with the same performance-based fee structure and same time horizon.

Lightning Round

I'm sensitive to how long my letters get and how busy everyone is. As the meme says, "I'm sorry that happened to you, or I'm happy for you, but I'm not reading all that." So with that in mind, here's a quick roundup of this year's happenings.

Chance Rides: As we announced this summer, my aspirations to be a roller coaster tycoon have finally come to fruition. Chance Rides is the worldwide leader in carousels, trains, trams, coasters, and a bunch of stuff in between. It's a cyclical business, but a heavily moated and durable one if you don't lever it up, which we didn't. Demand is increasing for physical amusement with new parks popping up around the world. Not many people wake up and decide to build rides, and if they do, there's an incredible amount of tribal knowledge necessary to be successful. Relationships go back decades and, like most things driven by safety and the need for long-term performance, buying decisions are relational and collaborative. We're excited to serve the entertainment park industry for many years to come. If you'd like to explore a ride for your backyard, I'd be happy to sell it to you myself. Call me.

Rylee + Cru: We've looked at a lot of apparel companies. From wholesalers to embroideries to large national brands. Few have been attractive. There's an investment graveyard filled with failed attempts in this sector, and for good reason. It's brutally competitive and fad-driven. So why would we take the plunge? As weird as this analogy may seem, for the same reason why we invested in Presidential Pools. We love companies that look one way on the surface, only to find a better reality underneath. Because of drop-driven ordering cycles, small boutique customers, and pioneering extension of classic style, the business performance here is light-years from what you'd expect. It's a gem of a business and a testament to the creativity, integrity, and hard work of the Murray and Larson families who we went into long-term partnership with. If you're in the market for your child or grandchild to feel comfortable and look stylish, I'd encourage you to check out ryleeandcru.com.

Events NewCo: As I've discussed in the past, content is the only way to scale conversation and events are a primary way to scale meaningful relationships. I have met some of my favorite people online, and they're all over the world. But, I became friends in the flesh, often aided by the design of an event. Done well, an event is far more than just a gathering thrown together. Good events are meticulously designed for depths of interaction, serendipity, play, rest, and learning. The formula isn't complicated — good food and drink, music, interesting location, meaningful programming, and the right mix of people. But, planning, execution, and attention to detail required is hard to understand if you've never done it. I think of a 2x2 matrix with one axis being "looks hard" and the other axis being "is hard." Events are in the flee-from-it category of looks easy and is hard. The team we've assembled, led by Clayton Dorge, is absolutely world-class as evidenced by what they produce. If you don't believe me, ask people who have attended either Capital Camp or Main Street Summit.* With our event needs satisfied for now, the team has stood up an independent operation to serve a handful of outside clients who share a passion for hospitality. If you've ever considered putting on a large-scale event for your tribe or audience, I'd encourage you to email Clayton Dorge and explore.

*If you're a GP or an LP interested in Capital Camp, or an SMB owner, operator, or investor interested in Main Street Summit, reach out to Laurie Oberweather.

Unqualified Opinions: For those unfamiliar, Tim Hanson (Co-President and CIO) launched a daily newsletter telling entertaining stories about the investing and operating principles that we hold dear. It has become a hit and for good reason. Tim combines sharp observations, levity, and great storytelling, which is him in a nutshell. Being now the formerly least qualified CFO in America, he's finally putting his playwright major and skills he picked up speechwriting for the White House to good use. I'd encourage you to check it out and subscribe.

Tenth Street Talent: We've tried a "shared services model" for portfolio companies and never found much success. Providing services was messy and underappreciated, and ultimately created frictions. The only exception to that rule is when some activity is extraordinarily high-impact and low-frequency. We made the decision a number of years ago that executive talent identification and recruitment was rarely valuable as a core competency at small scale, but had an outsized impact. Kelie Morgan took the lead and we created The Orbit. Since then, Kelie has been responsible for placing dozens of people across our companies to great success. In fact, it has gone so well that she's occasionally helped mission-aligned friends with their recruitment efforts. And, that has gone well enough that she's going to start building out an independent company called Tenth Street Talent. It's going to be limited to start, but if you have an interest in having Kelie and her team help your organization find and recruit talent, go here and raise your hand.

Space: Not the to-infinity-and-beyond kind. Office space. We ran out, but we love where we are and didn't want to give up our 1800s Victorian house for white box drop ceilings. So, we acquired two more houses a few doors down. This gives us plenty of room to continue growing and keeps us in beautiful downtown Columbia, MO. If you're in the area, give us a shout.

Outlive to Outperform*

This year was the first year in my life that I took my health seriously. The hardest part of compounding is to be around for it. And even if you survive, it doesn't matter much if you can't enjoy it. The key is both lifespan and healthspan. As I turned 40, contemplated continuing to raise 30-year funds, and figured out the implications of a new baby on the way, it became obvious what I needed to do. Took me long enough!

The stories we tell ourselves shape our lives. I grew up overweight. I remember at ten years old the first time someone called me a "fat kid." That phrase stuck with me, and is an identity I've lived with ever since. That identity shaped my behavior, excused my behavior, and limited my possibilities. I told myself, often subconsciously, that fat kids eat a certain way, look a certain way, and can only do certain things. I vividly remember a few years ago when I joked about being a fat kid to my friend Patrick. With a stern voice he said, "You gotta knock that off. That's not you. Quit saying it." Good friends encourage. Great friends tell the truth.

When I started the business I was already overweight and I went through a long season where I was primarily focused on Permanent Equity to the detriment of everything else – my health, my marriage, my friendships. Something I'm working on is being kinder with myself, so I'll withhold judgment and merely say that there's a real cost to success in business.

The last five years, and especially the last three years, have been a hard look at who I am, what I prioritize, and why.

I started the year weighing about 235 lbs, which was down from my peak of around 252 lbs. Body fat was around 35%. ApoB and triglycerides were elevated. Blood glucose and A1c was decent, but could use improvement. Thankfully, I wasn't nearly in as bad of shape as I expected.

Through the years I tried to diet and "get in shape." It never worked. I'd go hard for between two-to-six weeks, see little progress, get distracted, and go back to my previous weight or even higher. Something deeper was broken and willpower wasn't going to get me there. If I was going to get a different result this time, I knew I needed to do something different. I prayed for God to show me a better way and about that time, two things unlocked progress. I've found that help from God often looks a lot like friendship.

First, on the recommendation of a great friend, I had started working with an incredible counselor, and food was one of the many things that we tackled. I've struggled with over-eating my whole life. I want to eat when I'm stressed and when I'm relaxed. I ate to give comfort and to be hospitable. My default state was to eat, and eat a lot. When I explored the why underneath the eating, I started to feel a new freedom with food. I no longer needed to stuff myself, and I started to view food with gratitude and not with danger.

The second unlock happened unexpectedly during a podcast with my friend Shane Parrish. It was early January and I was complaining about trying to work out, but not feeling motivated most days. Shane then made the comment, "Oh, I just work out everyday. It's part of who I am. If I had to decide if I was going to work out, I wouldn't most days either."* I remember thinking to myself, "Huh. That makes complete sense. I should do that."

And, I did. I don't know what else to say other than it really was that easy. I went from trying to work out a couple days a week and grinding through it, to just doing something active every single day with no exceptions. The choice now is what to do, not whether to do.

What started small, with a 20-30 minute walk, a short Peloton class, or some bodyweight exercises, evolved into five mile runs, long walks, high-intensity interval training, 50 mile bike rides, and three days a week of strength training. The emphasis here is on the slow evolution.

As I did more exercise, I ate healthier, lost fat, and built muscle. Losing weight, exercising, and eating healthier made me feel better and increased my stamina. I even began to enjoy the workouts and look forward to them. Even saying that now shocks me.

Being that I have a full time job that I love, I started thinking about how I could combine work and working out. Often I'll talk with someone during low-and-slow rides or walks, or try to be considering something work-related during the more intense workouts. Think of it like a scheduled internal debate, with weight. I've found some of my best thinking is done when my body is moving.

After building momentum on the exercise front, I focused on the intake side. I prioritized unprocessed food and protein and tried to pay attention to being properly fueled versus stuffed. At the encouragement of a few friends, experiments in fasting reset what I considered to be satisfied. Turns out I didn't realize I was stuffing myself nearly every day, as that's what I considered normal. And when I slipped up, I gave myself grace and got back after it the next day.

I wanted to try to get off all substances and see how I felt. I had already been off caffeine. Dropped alcohol beyond celebrations. No allergy meds. Not even an Advil when I was sore.

The results have been slow, but encouraging.

I've lost about 30 lbs of fat, gained muscle, and my bio markers have all moved sharply in the right direction. Body fat percentage is now in the low 20s. A1c dropped to 5.0. Triglycerides dropped from 171 to 70. VO2 max has gone from high-30s to low-50s. Run times and power output on the bike all have consistently improved, and I'm playing the best tennis of my life.

One medical group told me that my biological age was around 32 years old and I was aging slower than most, so as Bill Murray so aptly put it in Caddyshack, "I got that going for me, which is nice." Best of all, I have far more energy for my family, friends, and colleagues.

If you're where I was for most of my adult life, I get how hard this all seems. I've realized health is like wealth. Proverbs 13:11 says, "Wealth gained hastily will dwindle, but whoever gathers little by little will increase it." Get rich quick and get healthy fast schemes don't work. They never have and never will. What works is making good choices daily and watching compounding slowly take hold. And if you don't believe me, that's ok. It took me 40 years to believe it myself.

*Note: There's a new book out called Outlive by Peter Attia, which I highly recommend. I first came across Peter about 12 years ago and we became friends. Having followed his work closely for longer than most, I can confidently say that he's the gold standard for health information, and I'm so glad more of the world is realizing it.

*Note: Shane talks about this concept in his excellent new book called Clear Thinking. You should buy it, read it, and re-read it.

The Two Worldviews

Ever noticed how there's something special about high places that elevates conversation?

Four years ago I was on a hike in the mountains with a dear friend. As we were walking along a stream, he paused and asked me a question that has been ringing in my ears ever since — "Brent, what would your life look like if you weren't afraid?"

As I considered and reconsidered the question, I started to realize how much fear drove my behavior.

Fear at work looked like people pleasing and selfishness. I was scared to be honest with how I felt for fear of conflict and rejection. I was scared for others to be honest with me. I often interpreted the actions of others and news about performance through the lens of what it meant for me. I cringed at bad news and was constantly living in the future, preparing for imagined problems. I was driven by a fear of how people viewed me, both within and outside Permanent Equity, frequently thinking about how to frame situations and demonstrate my abilities.

Fear at home showed up as being critical of my wife and children, concerned about my needs being met, and suspicious of my wife's motives. With my friends it created distance, unpredictability, and a competitive spirit. This low hum of fear caused me to be dissatisfied, isolated, hurried, irritable, and anxious. Not all the time, but far too often. I could put on a happy face, but the mask would inevitably slip under the wear and tear of day-to-day life.

A mask is a great way to talk about how we all cope with fear. Fear drives us into two main modes: self-protection and self-promotion. We create a false self that wants to show ourselves and the world how great it is, while simultaneously eliminating all danger. Danger doesn't necessarily mean physical safety, as most of us in the West are used to a high level of relative safety compared to the rest of the world and historical norms. Our danger is far more emotional, psychological, and spiritual.

We don't put on masks to be evil or even to deceive, but instead to self-protect from fear and pain. One of the masks I love to wear is competition. It protects me by telling me that there's a goal to be achieved and if I can win, and someone else can lose, I'll be okay. The subtext of this is that I'm not okay, but often don't know why. So instead of slowing down and dealing with whatever hurt is underneath it, I'll just go win at something and feel better. This has made me look impressive sometimes, stupid other times, and occasionally cost me dearly. There's often a real cost to winning that we're blind to in the moment, but becomes painfully obvious when the endorphins subside.

That "I'm not okay" feeling is because we're pretty sure we're not enough, scared to admit it to ourselves, and terrified that others might realize it. We struggle to let anyone in because they might see us for who we really are, hurt us, and reject us. We assume a default stance that there's not enough to go around, which leads us to squabble over, exploit, separate, and hoard even the most insignificant things (think toilet paper during COVID). Every interaction is a transaction in which we must get the better deal. We end up shut down and self-focused.

The mask of false self absorbs praise and lets through criticism. When someone compliments us in our false self, we tell ourselves, "If they really knew me, they'd never say that." But when criticism comes, it goes straight through to our hearts. Ever felt irritated that something you believed was noteworthy wasn't publicly acknowledged and praised? Me too. The false-self cycle is to be desperate for affirmation, but never able to be affirmed, fearful of criticism and always feeling criticized.

One problem is that many of us can perform well in our false self. The world often affirms me in my false self and appreciates the utility of it. The false me can get a ton done and the work product is high quality. If you want me to create something with otherworldly force, just tell me I can't do it or imply that I'm worthless without it. Odds are that what will tumble out will be something you'd like.

This makes me miserable and leads me to treat others poorly. To someone in their false self, everyone around them is nothing more than an object, a means to their end. I call them people-furniture. They're there, but you care about them about as much as you would your couch, and sometimes less. This leads to corporate-speak about "human resources" and political language like "deplorables."

An under-appreciated offshoot of this mentality – of which I'm all too familiar – is to attempt heroics. Heroes act out of self-interest, not care for the other. They're splashy and exciting, glory-seeking and unrelatable. Heroes crave praise, not justice, and ultimately control. Heroes take control from the object of their heroics, creating a victim and often more harm. The difference between heroics and meaningful help is a relationship. To truly help someone you have to really know them, including how they want to be helped.

Fear, and the resulting false self, is the enemy of true relationships. We're in such pain and so numbed out with alcohol, food, porn, purchasing, hurrying, pretending, performing, and entertaining that we've lost ourselves. Our false selves have turned into the only selves we know. Something's wrong, but we can't see it, and are terrified to look inwards. Instead, we adopt ideologies and identities that give us a flimsy sense of self that we wear like clothing and discard nearly as quickly, all while raging against those who dare disagree with our cause of the month. This is the common, ordinary worldview that most operate from almost all the time, and I'm certainly not immune.

And then every once in a while you come across someone operating from the other worldview — love.

I can distinctly remember times in my life when I was shocked by someone's love. It carries with it an aroma so strong it's impossible to forget. It's sacrificial and abundant, and unconcerned with the self. It wants the best for you no matter what you offer in return. It comes from a place of relationship, connectivity, and care.

From receiving this love springs the true self. The true self is love planted, grown, and multiplying. It fears not. It doesn't think about itself, but is outwardly focused on the good of the other. It's willing to lose and to be misunderstood without feeling loss. It's not heroic or dramatic, instead choosing to be quietly strong, full of truth and full of grace. It is a love that takes the mundane business of caring for everyday people seriously. As J.R.R. Tolkien wrote in The Hobbit: "I have found that it is the small everyday deeds of ordinary folks that keep the darkness at bay. Small acts of kindness and love."

If this all sounds foreign, squishy, and confusing, I get it. All I can say is that it's real. I know it's real because I've experienced it, and I can assure you that it creates heaven on earth. When I act out of my false self, life is hard independent of circumstances. When I'm in my true self, life is beautiful independent of circumstances.

I'll ask you the same question that was asked of me, "What would your life look like if you weren't afraid?" If you have a moment, start making a list.

Flee fear. Pursue love. See what happens.

Mr. Munger and One-of-a-Kind People

I believe that everyone is uniquely made in God's image and has dignity and worth beyond their utility. I also find that some people are more interesting than others, because most people live in such a state of fear that they're molded into conformity, unwilling to truly be themselves.

Outliers, those one-of-a-kind people, are built differently and are willing to suffer being seen as different. They catch and captivate our attention, holding and voicing views that are unexpected, divergent, and often counterintuitively correct. They shift the world's window of conversation and in the process remake what is seen as consensus.

Charlie Munger was a one-of-a-kind person. While I don't agree with him on a chunk of his conclusions, I greatly appreciated the way he thought deeply about a wide variety of topics and his willingness to express his views without seemingly a care in the world for the consequences. He became well-known later in life, so perhaps this was an evolution, but regardless, he was a constant contributor of insights, ideas, and laughs for the entirety of my professional years. Just saying that brings up a feeling of loss and a strong sense of nostalgia.

I had the pleasure of having lunch with Mr. Munger in early November 2016. I'll never forget how he put us at ease when he got out of his car and cracked a joke about looking like Gandalf with his neck-high, hand-carved walking stick. He was constantly bringing levity with a Sahara-level of dryness.

Over the next three hours a small group of us entered into a wide-ranging conversation from ecology to architecture to politics, and, of course, business and investing. It was fun to watch how quickly and adeptly he would navigate complex subjects with a shocking amount of frankness, command of facts, and historical context.

As a tribute, here are some notes that I don't think Mr. Munger would mind me making public. I hope you enjoy them as much as I have through the years.

"Don't make money selling to idiots."

"Disasters from fatigue are enormous. Pilots follow very strict guidelines around when they can and can't work. This is good because we're poor at self-regulating. Plus, when a pilot screws up, he usually dies. That's extra incentive. Doctors are proud of their long hours. No wonder they make tons of mistakes."

"A form of property that people underrate is the ability to handle horrible reversals, no matter what comes your way. My father never had much savings and when I asked him about it, he said that if his circumstances changed, he would just change his lifestyle. That's powerful."

"If you want to help, ask how you can hurt, then avoid that."

"Why is it that I'm perfectly happy being #2 to Warren, when I'm in charge in every other area of my life? It's simple. Warren is just better than me at investing. I don't mind being dominated by someone who's better at something than I am."

"With an instant gratification mindset, I can't think of any activities that are safe."

"I hate real estate. There's no advantage I have there."

"The trick is to be patient, then aggressive. It's very helpful. And, be doggedly rational. It's our moral duty to be rational. Don't be a wise-ass. Get involved in your community and learn how to get things done when you don't have positional power. Good Ideas + Civility > Authority."

"Money management is inherently meaningless. It's just trading pieces of paper. It is fun to make a good career in life. But if all you did was collect more pieces of paper, it isn't enough. Better to call yourself a thief when you steal, than to pretend you're not stealing."

"If you want to rise, be trusted."

"When I'm lousy at something, I don't try. Leave it alone. If I had gone into music, I would be cleaning urinals."

"There are two sources of bliss: ignorance and enlightenment, with five stages of grief in between."

My deepest condolences to his family and friends who continue to suffer greatly at his passing. I pray for your peace and comfort. This world isn't how it should be.

Godspeed, Mr. Munger. Thanks for all the insights and laughs. You are missed.

Wrapping Up

Grateful for another year to learn, be humbled, deepen my relationships, and serve. I truly am in awe of what has been given to me to steward. And, I'm grateful for everyone who joins me in this crazy adventure.

I've never asked someone if I can pray for them and been refused or had them offended. So, even if you hold my beliefs from 10 years ago (strict secular materialism), I want to send you off with this Irish blessing:

> May the road rise to meet you,
> May the wind be always at your back.
> May the sun shine warm upon your face,
> The rains fall soft upon your fields.
> And until we meet again,
> May God hold you in the palm of his hand.
>
> May God be with you and bless you:
> May you see your children's children.
> May you be poor in misfortune,
> rich in blessings.
> May you know nothing but happiness
> From this day forward.
>
> May the road rise up to meet you.
> May the wind be always at your back.

May the warm rays of sun fall upon your home,
And may the land of a friend always be near.

May green be the grass you walk on,
May blue be the skies above you,
May pure be the joys that surround you,
May true be the hearts that love you.

-Brent