DAVIDSON KAHN

CAPITAL MANAGEMENT

2023 Annual Letter

December 2023

“*Fed signals* ***no rate rise until at least 2024*** *despite growth upgrade*.”- The Financial Times, March 17, 2021.

“Fed policymakers see one more rate hike this year, ***cuts in 2024****.”*- Reuters, March 22, 2023.

Dear Clients,

Two headlines, two years apart, two very different stories.

To summarize, in the 2021 article, the Fed signaled that they didn't plan on **raising** rates until 2024. In the 2023 article, the Fed signaled that they don't plan on **cutting** rates until 2024 (which as of the publishing of this letter still seems to be the plan but as history has shown, anything can change).

This means that by some point in 2024, the Fed will have completed one of the most intense rate hike cycles in decades and will likely already have begun cutting rates. Yet, in March of 2021, the Fed didn’t even anticipate **raising rates until 2024.**

I don't cite these articles to lambast the Fed: they have a very difficult job. I include them because it provides a great case study on the folly of trying to make investment decisions based on what one thinks the Federal Reserve may or may not do. If the Fed itself doesn't really know what the future holds, trying to win as a Fed Watcher does not seem like a great game to play.

Call me crazy, but I only like to compete in games I think we can win. I **know** we cannot win trying to predict the movements of short-term interest rates. While the overwhelming majority of capital market participants seem to be preoccupied with the next CPI print or whether a company will beat their next quarterly EPS estimates, we take the long-term view.

Don’t get me wrong. The success of the American economy over the long term is extremely important to us. We pay attention to terminal interest rates as they influence our valuation work on companies. Price stability is also critical for society, and it is our hope that the Fed has the fortitude to keep rates restrictive for long enough to stamp out any threat of a 1970’s inflationary rebound and subsequent spiral. However, Fed meetings, Michigan surveys on consumer expectations, and predictions for GDP growth for the next quarter are ephemeral. We are focused much less on the next **forty days** and much more on the next **forty years.**

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Focusing on the next forty years and building wealth through the long-term ownership of wonderful businesses is a game I do **believe we can win.** It is not easy to sit patiently and calmly through massive volatility and repeated warnings that "this time is different" and the world is ending. It can be frustrating to stick to a long-term strategy as your neighbor makes millions on Crypto or the bubble de jour of the day.

However, our long-term approach to wealth building is simple (Singles and Snowballs). If we live below our means, continuously invest the excess savings in great businesses purchased at reasonable prices, avoid panicking in downturns, and avoid FOMO in euphoric times, it is likely we will all be quite wealthy over the long term.

Turning to this past year, 2023 was very good for markets across the board, and our portfolios did quite well. However, having a great 2023 in a vacuum doesn't matter much (it does beat the alternative though). Putting together a good 2020-2030 is what really matters.

We didn't get too down on ourselves last year when the share prices of many of our companies suffered drawdowns (instead we put more capital to work) and we won't pat ourselves on the back this year as share prices rocketed up. Nor will we suffer FOMO or chase "AI" or "crypto" companies simply because someone is willing to pay more for them this month than someone was last month. We will never risk your (and our) hard earned capital on concepts or ideas we simply don't understand because other people are getting rich doing just that.

Many of our exceptional businesses continue to execute on their long-term growth plans, allocating capital shrewdly and taking share from competitors. Most companies in our portfolio had dramatic appreciation in their share price (some of the appreciation was overdone in my humble opinion).

A few businesses related to both commercial and residential real estate struggled as their industries faced severe downturns, but relative to their competitors, they thrived. Most importantly, they didn't panic or change course, but calmly continued to execute and stick to their long-range planning. How companies act when times are tough is what will define their success over decades.

This year, Charlie Munger died just short of his 100th birthday. His life embodied the concept of a "life well lived." Outside of my own family, no one has had a greater influence on my life than Charlie Munger and Warren Buffett. I am profoundly grateful for all the wit and wisdom he shared with the world for close to 100 years.

To honor his legacy, this letter will outline exactly how lessons from Charlie Munger influence our approach to wealth building, investment management, and running our own business. Munger preached the power of compounding, the power of owning high quality businesses, and the power of focus. He touted the virtues of inversion and demonstrated how critical it was to understand how incentives drive behavior. His life demonstrated the immense power of building long term relationships and acting with character.

His idea that being consistently above average over a long period of time will create stupendous results is how I developed the “singles” portion of the “singles and snowball” approach to wealth building. Of course, the “snowball” side came from his partner who is no slouch himself, Warren Buffett.

Munger’s timeless lessons are just as applicable in 2023 as they were during the almost hundred years of his life. I have no doubt they will be equally applicable for the next one hundred years. That is the type of wisdom we are after: not what the Fed will do after their next meeting. To paraphrase the words of the great author Morgan Housel (who has an excellent new book out), we are not worried about earning the highest returns in 2024, we are focused on figuring out how to sustain the best returns through 2074. Taking lessons from Charlie Munger helps us do just that.

As I say in every annual letter, “this letter does not, and will never, serve as a venue for market predictions.” We are well positioned as stewards of your capital in any scenario, whether the bull market continues, or we have a more turbulent year in markets. We make purchases when we find we are getting excellent value for the price we are paying. There were many moments in 2023 when this was the case and I believe that will continue to ring true in the future.

We do not buy companies looking to sell them in six months or a year, so annual predictions don’t do us much good. As Warren Buffett wrote in 1996, “If you aren’t willing to own a stock for ten years, don’t even think about owning it for ten minutes.” That is the approach we take at Davidson Kahn. While tomorrow is uncertain, I do believe that over the long term, the engines of innovation and ingenuity will continue to power American prosperity and growth.

Munger’s influence on our approach to Wealth Building

Charlie Munger captured the crux of building wealth with very succinct advice: live below your means and invest your savings. Equally important is not being in a rush to get rich.

At the end of the day, most of wealth building can be boiled down to those few salient pieces of advice. As simple as it sounds in practice, it is harder to execute in the real world. The siren song of a bigger house, a nicer car, or an exotic vacation is much more alluring than looking at a compound interest table of what your money will grow to in three decades. Investing is hard because it requires patience, emotional equanimity, and diligence: three things we are not wired for particularly well as a species. Additionally, in the age of social media, everyone wants to get rich right away. That is unfortunate because while the slow path to wealth is eminently achievable for most people, I know of no reliable way to get rich quickly. Instead, trying to accelerate the road to riches inevitably leads to setbacks, leaving people back at square one.

When we do financial planning for clients, we build out an income statement, a balance sheet, and a statement of free cash flows (what is available to save and subsequently invest each month). This accounting driven approach of treating each individual or household unit like a business allows for prudent financial management and long-range planning. What it also does is gives us at Davidson Kahn the chance to see if potential clients are natural savers. The good news is, if you are reading this letter, you passed the test! The more someone naturally saves each month (living below their means), the higher likelihood they will be significantly wealthier down the road (and probably a good match for us as clients).

The amount of people we speak to who spend as much or more than they earn (even well into the seven figures) would probably surprise you. Those people will never be wealthy because they are on a hamster wheel with no off ramp. Usually, they are also looking for the proverbial winning lottery ticket as spending everything you earn tends to be correlated with having zero ability for deferred gratification. These people are not heeding Munger's advice (and aren't good matches for Davidson Kahn).

We don't focus on clients' wealth ceilings; we try to work with clients who can continuously raise their highest potential net worth through their business acumen and work ethic (and kudos to all our clients doing just that). Instead, we focus on systematically helping them raise their floor each year: putting away more money to add to the snowball. Even if their stock options go bust, their business has a down year, or their show never hits syndication (those days seem to be in the past), it is our job to make sure they continue the compounding journey. Even if all their career goals are not achieved, they will still be in excellent shape. We can only focus on raising clients' floors if they live below their means.

While that takes care of the first precept of Munger's advice, investing your savings gets a little bit trickier. While we think investing is easy to define (buying an asset at an attractive price based on an estimation of the asset's future cash flows), there is no true universal definition of "investing." Some think "playing" the market is investing (you are better off going to Vegas). While others believe that buying assets with the expectation that someone will pay more for it down the road is investing (the greater fool theory always ends in tears).

While people will quibble until the end of time about what defines investing, it doesn't do one much good to save money if they then invest the money poorly or gamble it away. It is critical to buy high quality assets that one can hold for a long time to allow the magic of compound interest to take hold. This is where another piece of Munger's worldly wisdom takes hold. One of the most important rules of compounding is to not interrupt the compounding process.

I believe the best way to construct a sustainable compounding plan is to first focus on what would interrupt the compounding process. Then, avoid any of these threats to the holy grail of wealth building like the plague. This is a process known as inversion. And surprise, surprise, I learned this from Munger. So what stops the wealth building process for individuals? Leverage and impatience.

Everyone knows about Charlie Munger and Warren Buffett. Very few people know about Rick Guerin. In “Damn Right,” a great biography of Munger by Janet Lowe, Lowe tells the story of Guerin, who was a partner of Munger and Buffett on various investments, including this little company called Berkshire Hathaway. Unfortunately for Guerin, as incredible of an investor as he was (and by all accounts, he was amazing and far more talented than I ever will be), he liked to employ leverage. During the 1970’s, the market suffered repeated drawdowns that led to margin calls on Guerin’s portfolio. To satisfy these calls, Guerin had to sell his Berkshire stock (to Buffett who had the cash). The stock was sold for under $40 a share. Today, Berkshire trades at around $550,000 a share. Had Guerin not employed leverage, it is likely he would have immense generational wealth by virtue of simply holding onto his Berkshire stock.

Munger was recently quoted as saying that Berkshire could have been significantly bigger had they employed more leverage, and that might be true. However, it is impossible to play the game in hindsight. We don’t know what the world ahead holds. Maybe taking a page from the brilliant Ed Thorp and utilizing the Kelly Criterion would make all of us a lot wealthier over time. It is impossible to know, but I do know that approach could also lead to total wealth destruction if some cataclysmic world events were to take place.

We are trying to optimize for having a reasonable amount of success in 1000 different scenarios. Avoiding leverage helps us do just that and it is part and parcel of not “risking what we have and need for what we don’t have and don’t need.” (Another pearl from Buffett and Munger).

You can also interrupt the compounding process through impatience, which dovetails nicely with Munger’s third piece of advice of not being in a hurry to get rich. In any decade plus history of the stock market, there are going to be periods where markets go down or some bright shiny object far outpaces the portfolio one is invested in. This is guaranteed to happen (equally guaranteed of course is that I have no idea when it will happen). It is hard to watch your neighbor get rich buying call options on a company with no revenues but a scintillating story while you plod along. However, avoiding envy (more great advice from Munger) of others and focusing on running your own race are key elements to long term wealth building.

In my 2021 letter, I talked about John who made a tremendous amount of money in the 1980’s. Had he just saved $5,000 a month solely in the 1980’s (without every saving another dollar beyond 1990) and put it in a fund that simply returned the market (which everyone now has access to), he would have well over thirty million dollars today. Unfortunately, he was always chasing the shiny object to double his money in that one year. He never did double that money, nor does he have a portfolio in the eight figures. He could have though, but he was in a rush to get rich (or richer in his case).

John isn't unique in this regard. Most people lack discipline or a long-term plan when it comes to personal finance. They want to get rich right away, and they clip together forty years of one-year strategies, instead of maintaining one forty-year plan.

By just following Munger's simple advice, I am confident that we can assist clients in building or further growing tremendous fortunes over multiple decades. I am equally confident we have zero ability to reliably accelerate that process.

Munger's Influence on our approach to Investment Management

Charlie Munger is the one who shifted Warren Buffett's away from the Benjamin Graham school of investing, which consisted of looking for cigar butts and net/nets (cheap companies that were undervalued and had one last "puff" in them). While Buffett did tremendously well employing the Graham method, it was not scalable. Munger taught him the importance of quality investing (while being price conscious) and bears a lot of responsibility for why Berkshire Hathaway is as large as it is today.

Instead of looking for a fair company at a wonderful price, Buffett shifted his focus to looking for a wonderful company at a fair price. I wish I had heeded Munger's advice a bit sooner because I spent quite a bit of time in high school and college rifling through some terrible businesses. While there were a few cigar butts where I got some puffs on, I would have had an extra five+ years of compounding had I wised up and listened to Munger earlier on!

We define quality businesses as those that are in rationally priced, stable (but growing) industries, generate substantial amounts of free cash flow, employ leverage judiciously (if at all), and have managers who operate the business as owners with a long-term orientation. Most importantly, we want businesses with a demonstrated history of superb capital allocation decisions (meaning a high historical return on invested capital, an accretive acquisition history, well timed stock buybacks, or some combination of the three). Finally, we like companies that are growing and have a clear runway for future investment opportunities within the business.

One of Munger's most important lessons is about the focus on return on incremental invested capital. We delved into this in detail in the 2021 letter if you want to read more on that topic. He famously stated that over a long enough period, the investment return of one's investment in a business will approximate the return on invested capital of that business. That is why capital allocation is so critical: the longer you own a business and the more free cash flow that business generates, the more money in absolute dollars that the operators of the company will be deploying. If the managers in the business are not able to generate returns sustainably above average, it will be virtually impossible for investors who own that business to earn above average returns over multiple decades.

Of course, you do not want to pay too high of a price for a business because multiple compression can counteract even the most wonderful of return on incremental invested capital opportunities.

We also apply the inversion method to figure out what won't lead to long term successful investments. There is a plethora of reasons why an investment or business will fail. They include excessive leverage that could lead to bankruptcy or management that is short term focused and does not have sufficient skin in the game. An irrational or highly competitive industry with tons of capital flowing in that forces sub optimal pricing decisions will generally also lead to mediocre business results. Asset intensive businesses that require constant maintenance reinvestment are a no go.

Simply by avoiding all these characteristics in businesses (and sticking well within our own circle of competence), we both narrow the universe of investment options and ensure we are avoiding a bevy of situations that could lead to the permanent impairment of capital (which is how we define risk). That doesn't mean we will be successful on every investment (we assuredly won't). It also doesn't mean we will have the best performing portfolio each year (again, we assuredly won't). It does mean we are putting ourselves in position to succeed over time.

Another crucial lesson I have learned from Munger is about the power of incentives. We want the operators of our businesses to either own a large portion of the business or have a material portion of their net worth be their ownership in the business. Incentives are everything: if our interests are not aligned with the executive team to optimize for future free cash flow growth per share, it is unlikely the business will succeed in the long term.

I do want to highlight an amazing company that epitomizes the importance of skin in the game: Watsco. Watsco is a Florida based distributor of HVAC systems. Yes, we here at Davidson Kahn are focused on some of the sexiest businesses in America. Companies that distribute HVAC equipment, parts, and supplies are what every young entrepreneur dreams about running and every young investor dreams about owning. All kidding aside, every business operator and investor should study this business.

The CEO and Chairman Albert Nahmad started out as a consultant in New York in the 1960's. One of his friends at the time was Stephen Ross, the now Billionaire Miami Dolphins and Hudson Yards owner. Last year we wrote about Costar Group and its CEO and Founder, Andy Florance. What we didn't mention was that Florance and Jeff Bezos were lab mates at Princeton. There seems to be a pattern of excellent CEO's in our portfolio having long time associations with some of the wealthiest people on the planet. Alternatively, it could be that all roads lead to Jeff Bezos. Barry Logan, a long tenured and incredibly talented Watsco executive, graduated from the rival to Palmetto Senior High School, where Bezos was valedictorian.

Anyways, Nahmad bought Watsco in the early 1970's which was in the HVAC manufacturing space. It was only in 1989 that Watsco got into the distribution business, with the purchase of an existing business. Today, they have around 700 locations and will do over seven billion dollars in revenue with incredible free cash flow and a great historical return on invested capital as well as a marvelous acquisition history (their deal with Carrier coming out of the great recession should be a Harvard Case Study for amazing capital allocation). Watsco employs little to no debt. They run a decentralized operation and have a no-frills corporate headquarters with a very small team outside of their technological endeavors. It would be very hard for Amazon to disrupt most of their distribution business and the industry is filled with rational actors and disciplined price setters.

In short, they are a wonderful business. To be clear, the market currently recognizes the excellent business they have by rewarding them with a very healthy valuation.

However, I don't include them simply to extol their business virtues. Their operations are a case study in incentives in action. In addition to Al Nahmad operating the business as one of the largest shareholders, they have a unique compensation structure. They pay many of their executives in restricted stock that for most employees does not vest until they are 62. If you leave before then, you lose it. If you get fired, it is gone. If you die, your family gets it. There is nothing that forces long-term thinking quite like knowing a large portion of your net worth is tied to how a company fares ten or twenty years from now. Over ten percent of the company is owned or will be owned by employees upon vesting. That is true skin in the game.

As part of our research process, we read every earnings call, investor presentation, or investor conference "fireside chat," that is available from any of the databases we subscribe to. It provides us clarity on the business, gives us insight into management, sheds light on historical decisions, and really helps us understand the acumen of the operators (especially when we can see how they navigated the great recession or specific industry slowdowns).

Watsco has had quite a few investor days and presentations at investor conferences through the years so there was a lot to read through when we were initially conducting diligence on the company. One thing I was struck by was how forward thinking they were in the mid 2010's with a focused investment on technology. A. J. Nahmad, Albert Nahmad's son, directed the company's efforts to develop internal technology that would allow them to optimize their supply chain while also helping their customers (HVAC contractors) better conduct their own businesses.

HVAC distribution is not where one would imagine there is a lot of technological innovation as it is a stodgy, old-school industry. However, we have found that some of the best businesses aren't necessarily those who are "technology" companies. Instead, they are "old economy" businesses that have figured out how to use technology effectively to create competitive advantages in terms of reducing internal expenses, improving customer satisfaction, and

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increasing operational efficiency. (Copart and Walker Dunlop are excellent examples of this) Furthermore, when a company can become the effective "operating system" for a service provider (Floor and Décor and Sherwin Williams do a phenomenal job of this in flooring and painting respectively), it increases lock in and improves the lifetime value of that customer.

Watsco's plan of investing to improve inventory turns, reduce occupancy costs, increase customer loyalty, and streamline their operations seemed like a no brainer to me as I read old transcripts. However, they were investing ten+ and then twenty+ million dollars annually without any short-term benefit. This was depressing short term EPS, which is a cardinal sin for sell side analysts. These wall street analysts could not see the forest through the trees, questioning Watsco for multiple years about their strategy and indicating their dissatisfaction with the spending. By investing through the profit and loss statement, Watsco was truly thinking long term and optimizing the business to be the best for the next forty years, not the next forty days. This incurred the wrath of Wall Street, and their multiple was penalized in the process.

Then came Covid, and the supply chain snarls that followed. Watsco, because of their years of continuous technological investment, was in prime position to execute effectively in a very difficult operating environment. Counterfactuals are impossible, but by investing for years for the long term, Watsco likely made themselves hundreds of millions of dollars more than they would have otherwise. That is great return on invested capital. It should be noted that Watsco's ROIC is overstated by conventional metrics because all that technological spend doesn't show up on the balance sheet. Even accounting for that, the capital allocation is still marvelous.

Furthermore, one of Watsco's core strategies is buying large, family-owned distributorships that are well run and successful. Most of these businesses are significantly smaller than Watsco so the competitors simply cannot afford to invest tens of millions of dollars annually in technology. Watsco has a scale competitive advantage that allows them to spread these investment dollars over a much wider revenue base. In turn, over the last few years, some of these family-owned distributorships have sold out to Watsco.

While it is impossible to know what percentage was correlation or causation, I do believe that this increase in M and A (which has been a major part of Watsco's success through the years) was positively affected by Watsco's technological prowess. Sellers were motivated by the fact that Watsco had superior operational efficiency, better margins, and were much better suited for the future. None of this would have been possible without years of investing.

Most management teams don't have the fortitude or long-term vision to do what Albert Nahmad, A. J. Nahmad, Barry Logan, Paul Johnston, and the rest of the Watsco team did. A major reason why they did this is because they were and are incentivized to create the most valuable company decades from now.

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Munger's focus on incentives isn't limited to Watsco. Just within our portfolio, Copart purchasing land instead of leasing it, Walker Dunlop being an incredibly conservative underwriter, Costar Group first investing through the P and L to change the Apartment advertising business and now doing the same in the Residential space, Berkshire Hathaway choosing to take a lumpy larger return than a smooth smaller return in insurance, Amazon maniacally focusing on free cash flow per share growth, Constellation Software mandating that employees spend portions of their bonus money on the stock, Brookfield investing counter cyclically in the most unloved and out of favor asset classes, and RH focusing on climbing luxury mountain through a brutal housing environment are all examples of businesses that are focused on the long term instead of the short term.

These companies can do this because management has skin in the game and are owners, not just operators. It is not just companies we own where incentives play a major role. Companies we admire like Axon, Nvidia, and Old Dominion all have shown an ability to invest in the future while not worrying about short termism on Wall Street. I recently read Walter Isaacson's book on Elon Musk. While we wouldn't own an auto company because of industry dynamics, it makes sense why Musk has created the best-in-class auto company in the world (valuation is a different story). He focuses maniacally on optimizing for the future, not the present.

Ultimately, when it comes to owning companies for decades, you want to be side by side with owner operators. Incentives matter.

Munger influence on Davidson Kahn

Charlie Munger's goal was never to be rich, he just wanted financial independence. He wanted to invest for his own account and work with people he admired and enjoyed. Those principles are what guide Davidson Kahn.

I built Davidson Kahn so I could invest my own money and if others were willing to pay me to invest theirs, that would be even better. We had over one hundred referrals this year, and over half were people that did not seem like a good fit for Davidson Kahn. We only want to work with people we like, and who buy into our investing philosophy. Warren Buffett often says he "tap dances to work." We feel the same here. We love what we do so it does not feel like work.

More important than anything else is the quality of the relationships with our clients. Every time we take on a new client, we look at it the same way we would a company. We want to be working with clients (and their children and grandchildren) for decades to come. That only works if we share similar values, align on investing philosophy, and genuinely enjoy speaking with one another. We are certainly not for everyone, and that is totally fine.

Every single client we have (and hopefully you all are reading this) is a joy to work with, and I look forward to every check in call I have. That is worth way more than any AUM target.

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Munger had lifelong friends and phenomenal relationships that compounded for decades. We have similar goals for our relationships with clients. Not only are we excited about account values growing, but we also like to constantly grow the level of trust and familiarity as well.

From a business perspective, Davidson Kahn continues to do well. Our founding goal was to build a business we would want to invest in and so far, that has been the case. It was only mid 2020 that Judd and I decided to take on external clients and branch into wealth management. From starting with just our own money, we now work with well over one hundred different households and manage more than nine figures. We more than doubled our business again (eventually that growth rate will slow down substantially).

While I focus on different metrics to measure the success of the business, these external figures do convey that our message and approach are resonating with people. We have done this with zero dollars spent on marketing and advertising and grown purely through word of mouth. Even our updated website was made for the princely sum of zero dollars thanks to the very talented crew at The Branding Boutique whose CEO just happens to be Alex's sister.

The metrics I care about are also quite positive. We subscribed to a few more database services, improving our research efficiency substantially. We read well over a hundred 10-Ks, went through close to a thousand historical earnings calls and presentations, continued to read a variety of industry periodicals, and spoke to countless individuals in the industries and businesses we invest in. We made sure to always respond right away to clients and to constantly communicate what we are doing and why we are doing it. Most importantly, the companies we own continued to execute on their long-term goals. As I have said every year, we focus on the inputs and the outputs will take care of themselves.

Our business principles are simple. Focus on research and client satisfaction, keep our internal costs low, and charge less than competitors. We didn't discover these principles: Carnegie and Vanderbilt found them to be quite useful as have Amazon and Costco. If our results are good and clients are happy, we will have decades long relationships, and that is a recipe for success.

Additionally, we practice what we preach regarding incentives. I can never guarantee results but to paraphrase Buffett from his early Buffett Partnership letters, I can guarantee shared destiny. Alex, Drew, and I are invested in the same exact companies and indexes as our clients. We are in this side by side, and I can promise you, we aren't working six- and seven-day weeks with the goal of investing our money (or yours) at substandard rates of return.

I would be remiss if I didn't mention that Davidson Kahn added another four-legged member to the team: Hathaway York Davidson, another 80-pound Bernese Mountain Dog. He joins his brother Berkshire in the office most days (but does not demonstrate a similar propensity to literally devour my printed out annual reports which has been a nice contrast from his brother).

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While Charlie Munger's death was sad, his legacy will live on through Berkshire Hathaway and the countless individuals he inspired with his wit and wisdom. I am grateful both to have met Munger and to have been exposed to his writings and speeches.

I cannot thank you enough for your trust in me. It always bears repeating that it is an immense privilege to manage your money and it is one I do not take lightly.

I will repeat a story from each year's letter. When I was at USC, I met a girl who was from Omaha, Nebraska. Naturally, I asked her if she somehow knew Warren Buffett. She didn't. However, she did say he was responsible for her going to college. It turns out her grandparents bought Berkshire stock decades ago, and whenever a grandkid was ready to go to college, they sold a share or two to pay for the tuition.

That story has always stuck with me. My goal is that one day in the distant future, clients, as well as kids and grandkids of clients, will say that investing with Davidson Kahn helped pay for college, their first home, a large charitable bequest or any other meaningful item or experience. That is the type of wealth we are looking to help build, and, if we keep adding to our snowballs and hitting singles year in and year out, I am confident we can do so for much of the 21st century.

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