

## EPIC Global Equity Fund May 2025

### Warren Buffett's lasting influence: a fund manager's journey

Throughout my career, I have studied exceptional investors—Peter Lynch, Terry Smith, Mark Leonard of Constellation Software, and Nicolai Tangen founder of AKO Capital. Each taught valuable lessons: Lynch on knowing what you own, Smith on quality, Leonard on decentralised capital allocation, and Tangen on governance. But the most enduring influence comes from one man: Warren Buffett.

### Pillars of Buffett's philosophy

Buffett's annual letters to Berkshire Hathaway shareholders were my gateway to investing. His wisdom can be distilled into simple principles: buy outstanding businesses with competitive advantages, managed by honest and capable people, and with the ability to reinvest profits at high returns. His advice shifted my perspective on investing: I now ask myself: "Would I be happy owning 100% of this business for the next 20 years?"

Take L'Oréal as an example. While some may see its substantial advertising spend as wasteful, Buffett would view it as an investment in long-term brand equity. This mindset guided me toward businesses focused on enduring value, not short-term fluctuations.

### Temperament over intellect

Warren Buffett often stresses that temperament trumps intellect in investing. During market volatility, it is not intelligence but the ability to stay calm, rational and focused on fundamentals that provides an edge.

When COVID hit, we increased our investments in companies like NVIDIA, Amazon, Microsoft and Meta, believing that their strength would only grow while others were gripped by fear. Buffett's words guided us:

- "If I am going to play a game, I want it to be one where I have got an edge." — 1997
- "You do not have to do extraordinary things to get extraordinary results. You just have to do a few things right and avoid the big mistakes." — 2017

### Learning from mistakes

No investor gets everything right. A notable mistake was our investment in Illumina, the global leader in DNA sequencing and genomics, during the COVID crash. We believed its dominant IP would drive long-term growth but underestimated the risks of rapid technological shifts and competition. The loss wasn't just financial; it was an opportunity cost.

This taught me that while patience and conviction are vital, so is humility. Buffett's preference for simplicity is practical—straightforward businesses with predictable economics tend to perform better over the long term.

### Decentralisation and trust: lessons from Berkshire Hathaway

One of Buffett's most profound teachings is decentralisation. At Berkshire, he empowered managers to run businesses independently, as long as they aligned with company values. This principle shapes our approach to investing.

We seek companies led by exceptional operators displaying autonomy, integrity and a long-term focus. Companies like Constellation Software, Roper Technologies, Danaher, Lifco, and Addtech all demonstrate how decentralised leadership fosters long-term compounding.

### Too big to outperform — and the case for Kelly Partners

Berkshire Hathaway is now too large to deliver outsized returns. As capital grows, so does the pressure to invest while the universe of impactful opportunities narrows. The key is finding companies with the right culture and capital allocation mindset who are still early in their journey. Kelly Partners Group is one such opportunity. Despite a 30% compounded revenue growth rate over the past 15 years, KPG remains in 11<sup>th</sup> place by size among Australia's top accounting firms, with under 1% market share. The runway for growth is long, while its competitive moat is deepening.

What sets KPG apart is its founder and CEO, Brett Kelly, a Buffett disciple. He has instilled a decentralised culture grounded in trust, autonomy and a long-term mindset. KPG even holds its shareholder meetings in Omaha during Berkshire's AGM weekend, a nod to its philosophical alignment. Unlike Berkshire, KPG still has decades of high-growth potential ahead.

**Conclusion: invest with purpose and patience**

At EPIC Global Equity Fund, we follow timeless principles of discipline, inherent quality and long-term value. We focus on businesses with strong fundamentals, exceptional people and sustainable growth—no trends, no speculation. Just purposeful investing for enduring wealth.

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