

2023 Investor Letter (Year-End)

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Canterbury
Tollgate
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“Things change, don't blink your eye; 'Cause if you do, they'll pass you by.

'Bout the time you think you've locked it in; Things change, then change again.”

BOBBY BARE, “THINGS CHANGE”

“Reality has a habit of making people with strong opinions look like idiots.”

JOHN HEMPTON

“The acquisition of wisdom is a moral duty. It's not something you do just to advance in life... It requires that you're hooked on lifetime learning... it doesn't help you much just to know something well enough so that on one occasion you can prattle your way to an A in an exam. You have to learn many things in such a way that they're in a mental latticework in your head and you automatically use them the rest of your life.”

CHARLIE MUNGER, POOR CHARLIE'S ALMANACK (TALK TEN)

“My biggest mistakes have not been the businesses in which I've lost the most money.

The biggest mistakes that I've made have been selling compounders too early. And how did I stop doing that? Because it simply got painful enough that I just stopped doing it.”

PETER KEEFE

Dear friends and valued investors,

CTG Fluxion increased by 21.5 percent in 2023. This was driven largely by our core holdings—Meta, Amazon, Dropbox, and GoDaddy. It also includes a sizable contribution from U.S. treasuries and a material subtraction from Icahn Enterprises.

You might notice this is the first letter in a while. It's been a long time coming. In truth, I didn't feel I had much new to share most of last year. Secondly, it's amazing how fast life happens. And one last thing. In a series of unfortunate past fall events, I broke my arm. The word *break* may not quite do it justice given it's used for just about every type of fracture. More like, *snapped*. My humerus, that is, *snapped... in to two pieces* after throwing a baseball to some youngsters.¹ *Ouch!* Yes, I know. What was thought to be tendinitis turned out to be a hairline fracture¹ that had gone unnoticed. I debated how

much to share about this accident given its potential (and ostensible) lack of relevance.² Upon reflection, the experience illustrates and illuminates several vital and wide-ranging lessons. Principally, **how small variations, oversights, and misdiagnoses can lead to disproportionate consequences over time, for better or for worse.**

I don't write fast, and typically begin working on a letter two or three months before its publication. In this case, for the year-end letter, that would be sometime in November. Following the unpleasant incident, I was in a recliner for about six weeks without the use of my right arm. Relatively quickly, within two or three weeks, I was able to get on top of the most crucial (investment-related) tasks (Microsoft Office and Apple's dictation functionality became a great friend). Ancillary, if still eventually

¹Most likely.

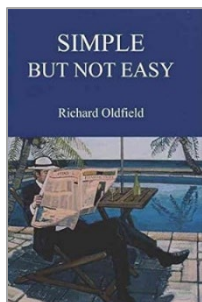
²The author humbly and firmly requests no pity; only patience and fortitude.

imperative, tasks were put on hold. Hence, where I would usually begin jotting down notes and synthesizing thoughts in November for a letter to be released in January or February, this time I began playing catch up on the writing, along with other vital tasks (e.g., audits) in late January. For the delay, your grace is much appreciated.

The slower pace of writing is due in large part to my being afflicted with absolutely zero desire to leave behind mediocre, half-witted, boring, and less than thoughtful work—which I’ve already accomplished—to be looked back upon a ~decade hence as time wasted and energy squandered.

Simple But Not Easy

One would think that after writing enough of these, they would be easy. Alas, they are not. Or at least, not easy to write thoughtfully. And the same goes for investing. A while back I read a book by a money manager entitled “*Simple But Not Easy*” which aptly describes the situation.



In theory, investing is easy: *buy low, sell high*. In practice though, our humanity gets in the way; those very traits which guide us properly in nearly every other endeavor lead us astray in capital markets—strong opinions and bullheadedness, along with the desire to be right, and the urge to act. It’s not that those traits aren’t necessary in investing, but that they’re necessary only intermittently. Not ad infinitum.

Real value investors have a lot of time to think, which is both a blessing and a blight—one of the grand oxymorons of investing. A blessing because it gives one adequate time to reflect with the aim of

making wise decisions and avoiding foolish ones. A blight not only because of our inclination to equate action with progress, but also because of inertia. Meaning, in the investing context, the tendency to keep on with what one’s been doing (or, not doing). Hence, if they’ve been “sitting on their tail” they’re more likely to go on in the same manner.

Another grand oxymoron that makes investing *simple but not easy*: one must simultaneously hold and consider two opposing views in the mind. With wisdom comes angst, to paraphrase Solomon. Impartiality and the capacity for reflection are inversely related to both the quantity of opinions and their degree of entrenchment. Munger used to say, what you “shout out you pound in,” losing the capacity to reflect and debate both sides.

Poor Charlie on... everything

The world lost Charlie Munger on November 28, 2023. The folks at Stripe.press have put together a rather amazing book site for [Poor Charlie’s Almanack](https://www.stripe.press/poor-charlies-almanack).³ Within, lifelong learners can read and/or listen to each chapter, as well as access Munger’s reading list.

“The Silient Killer”

A crucial trait Munger often talked about was, let’s call it, “sit on your *tail* investing.”⁴

I had the opportunity to attend MOI Global’s Annual Latticework NYC meeting in December. *Latticework* being the term Munger used to illustrate an interlinking of mental models and heuristics required for sustainably good investing (and living). Such models are used to fend off bad or fuzzy thinking as much as to engender the opposite. During the

³ <https://www.stripe.press/poor-charlies-almanack>

⁴ See Talk 3 in Poor Charlie’s Almanack

meeting, Christopher Tsai⁵ held a fireside chat with Peter Keefe, founder of Avenir Capital, who discussed his idea of “The Silent Killer”:ⁱⁱ

Tsai: “Cutting back wonderful compounding machines too early; cutting the flowers to water the weeds. And as a long-term investor I think there’s always going to be something to be concerned about. The news hits us every day... and you’re likely to read something negative. How do you resist the temptation to sell those wonderful compounding machines?”

Keefe: “The Silent Killer comes up in this conversation: what’s been your biggest mistake?... My biggest mistakes have not been the businesses in which I’ve lost the most money. The biggest mistakes that I’ve made have been selling compounders too early. And how did I stop doing that? Because it simply got painful enough that I just stopped doing it.”

Another interesting note from Keefe on what he called the “seamlessness of risk transfer”:

“I’m an intermediary. You’re an honest guy. I’m an honest guy. And if I’m going to invest with [e.g., Christopher Tsai], who’s running a public company, he better be an honest guy. There’s got to be this seamlessness of risk transfer. That’s the ethical obligation that you owe to the owner of the capital. Can you establish it with absolute certainty? No. But you know well enough.”

In the same vein, earlier this year I received the following quote in a message from Samantha McLemore, CFA:

“They say you never grow poor taking profits. No, you don’t. But neither do you

grow rich taking a four-point profit in a bull market.”

“It never was my thinking that made the big money for me. It always was my sitting. Got that? My sitting tight!”

EDWIN LEFÈVRE, REMINISCENCES OF A STOCK OPERATOR

Envy

Finally, Munger’s way of putting things—his phraseology—was second to none. One of his suggestions for guaranteed misery in life was to lead your peers in envy and blame. During my injury I had a chance to watch a few films that had been on my list for a good while. An ending quote from the movie *L.A. Confidential* caught my ear. After completing a job together, one man is honored, and another (the true hero of the story) loses the ability to speak. Kim Basinger’s character stoically quips, “Some men get the world; others get ex-hookers and a trip to Arizona.”

Luck or Skill

Not infrequently do I hear conversations or diatribes regarding luck or skill. They usually begin with the following question, “are great investors just lucky or is their success due to skill?”, as if the answer is binary yes or no. This notion is far too simplistic.

Of course, luck is involved. But it’s most assuredly not pure luck; and perhaps not even mostly luck. More apt terms than “luck or skill” would be “happencence and competency.”

A key question to consider when considering to what degree “luck and skill” impact capital

⁵ For those interested, Tsai gave an excellent talk at last summer’s Zurich Project entitled “Investing in the Age of Disruption” (see appendix)

allocation success: *Do superior operators exist? And if so, can they be identified?*

Further Notes

“A thoughtful valuation requires confronting some empirical realities: most companies do not live that long and do not generate good returns for shareholders while they are alive.”

Around 60% of public companies “over the past century or so have failed to create value, defined as earning total shareholder returns in excess of one-month treasury bills.”

MICHAEL MAUBOUSSIN AND DAN
CALLAHAN (BIRTH, DEATH, AND WEALTH
GENERATION: WHY INVESTORS NEED TO
UNDERSTAND CORPORATE
DEMOGRAPHICS)

Excellent listen: [Bill Ackman on value, investing, and life.](#)ⁱⁱⁱ [Jon Stewart on FB buying Instagram.](#)^{iv}
How quickly things change.

AI

I asked ChatGPT for solutions to writer’s block, to which it came up with the following suggestions, sounding eerily similar to a podcaster or pop self-help author.

- 1) Freewriting.
- 2) Change your environment.
- 3) Take a break.
- 4) Write at a different time.
- 5) Read or watch something inspiring.

No more need for the \$24.99 “How To” books! The full list is included in the appendix.

Further, an acquaintance described to me how he uses ChatGPT to generate unique bedtime stories

for his kids. So, I tested it out. The result was pretty cool.

Me:

Tell me a light-hearted, funny, but meaningful story that rhymes about a possum named Awesome who traveled by train to a town called Rain.

ChatGPT:

“Once upon a time in a wooded domain, Lived a possum named Awesome, far from mundane. With fur so fluffy and eyes wide like moons, He dreamt of adventures, some laughs, and cartoons...”

(continues in Appendix)

We can see ChatGPT’s ability to synthesize and produce writing that emulates even respected authors, and the wit of fictional works is impressive. What we do not find is its capacity to produce unique insight. Nor can we expect accuracy when a query’s answer diverges from where the cluster has landed (i.e., conventional answers), [even if it has ready access to such information.](#)^v

To Conclude...

Thank you once more for your patience, trust, and fortitude.

All the best,



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Factsheet

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CTG results before October 2020 are unaudited, shown net of management fees, and represent portfolio holdings for the aggregate of discretionary separately managed portfolios with assets greater than seven hundred and fifty thousand USD at the start of the period. Results during this period were calculated using third-party software (*Clearing Brokers’ Portfolio Analyst*) and may not reflect individual account or investor results. Returns will vary depending on date of investment, type of account, and investor preferences. Non-discretionary accounts, ETF, and index allocations are not included in performance results. Beginning October 2020, CTG Fluxion, LP results are shown net of management fees and performance allocation accruals as estimated by the fund’s administrator, Yulish and Associates. Results shown are unaudited. CTG Fluxion, LP and Weise Risk Advisors, LLC dba Canterbury Tollgate are each required by relevant securities regulations to be audited. CTG Fluxion, LP began its initial custody audit in late December 2020.

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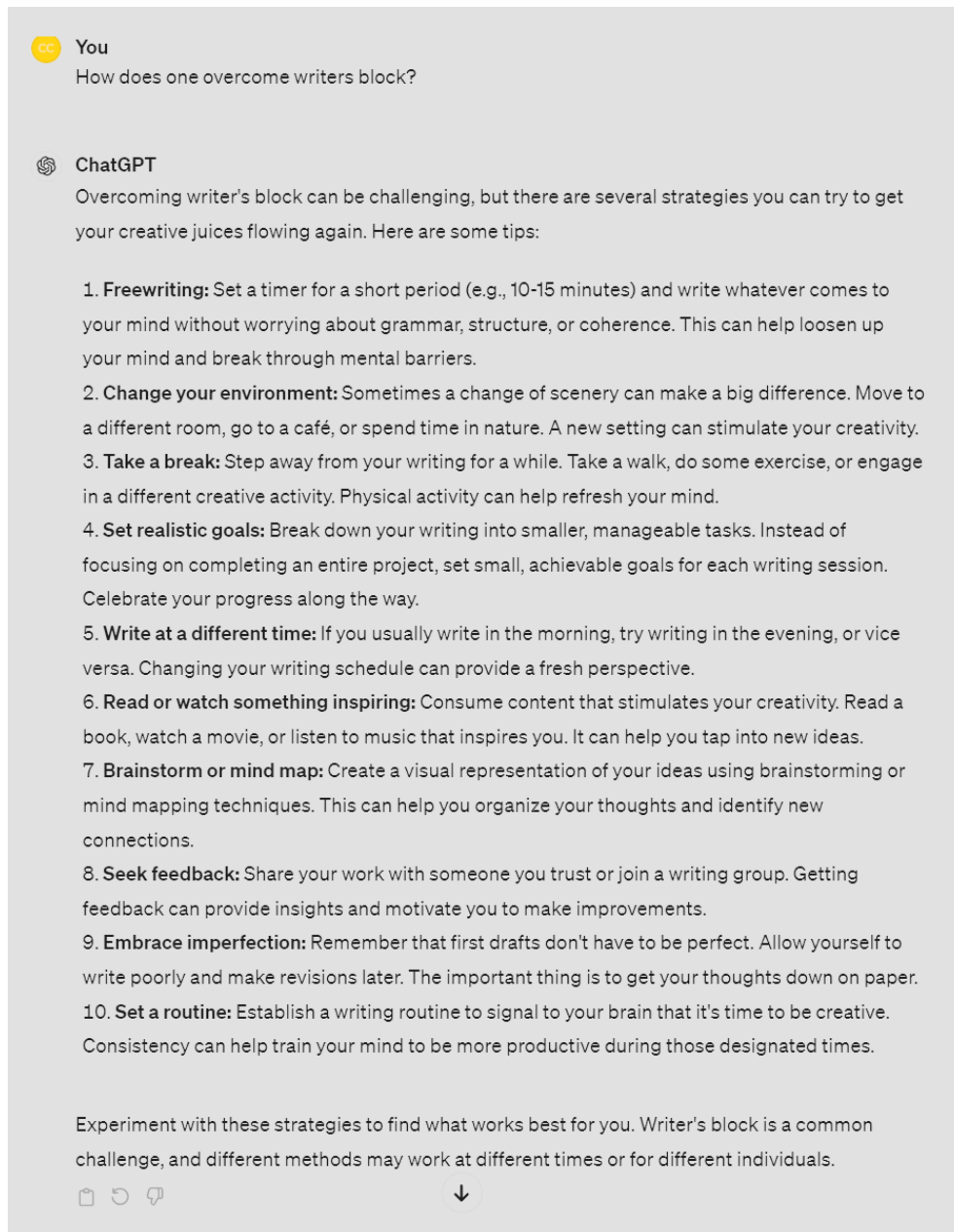
Appendix

Christopher Tsai: Investing in the Age of Disruption (<https://tsaicapital.com/investing-in-an-age-of-disruption.php>)

FIGURES 1 AND 2

ChatGPT on...

...**writer's block:**



You
How does one overcome writers block?

ChatGPT
Overcoming writer's block can be challenging, but there are several strategies you can try to get your creative juices flowing again. Here are some tips:

- 1. Freewriting:** Set a timer for a short period (e.g., 10-15 minutes) and write whatever comes to your mind without worrying about grammar, structure, or coherence. This can help loosen up your mind and break through mental barriers.
- 2. Change your environment:** Sometimes a change of scenery can make a big difference. Move to a different room, go to a café, or spend time in nature. A new setting can stimulate your creativity.
- 3. Take a break:** Step away from your writing for a while. Take a walk, do some exercise, or engage in a different creative activity. Physical activity can help refresh your mind.
- 4. Set realistic goals:** Break down your writing into smaller, manageable tasks. Instead of focusing on completing an entire project, set small, achievable goals for each writing session. Celebrate your progress along the way.
- 5. Write at a different time:** If you usually write in the morning, try writing in the evening, or vice versa. Changing your writing schedule can provide a fresh perspective.
- 6. Read or watch something inspiring:** Consume content that stimulates your creativity. Read a book, watch a movie, or listen to music that inspires you. It can help you tap into new ideas.
- 7. Brainstorm or mind map:** Create a visual representation of your ideas using brainstorming or mind mapping techniques. This can help you organize your thoughts and identify new connections.
- 8. Seek feedback:** Share your work with someone you trust or join a writing group. Getting feedback can provide insights and motivate you to make improvements.
- 9. Embrace imperfection:** Remember that first drafts don't have to be perfect. Allow yourself to write poorly and make revisions later. The important thing is to get your thoughts down on paper.
- 10. Set a routine:** Establish a writing routine to signal to your brain that it's time to be creative. Consistency can help train your mind to be more productive during those designated times.

Experiment with these strategies to find what works best for you. Writer's block is a common challenge, and different methods may work at different times or for different individuals.

...writing a children's bedtime story:**You**

Tell me a light-hearted, funny, but meaningful story that rhymes about a possum named Awesome who traveled by train to a town called Rain.

ChatGPT:

Once upon a time in a wooded domain,
Lived a possum named Awesome, far from mundane.
With fur so fluffy and eyes wide like moons,
He dreamt of adventures, some laughs, and cartoons.

One day he decided, "I'm off on a quest,
To a town called Rain, where they say it's the best!"
He packed up his snacks and his favorite cap,
Hopped on a train with a grin and a nap.

The train chugged along, through meadows and trees,
Awesome sang songs and danced with such ease.
Passengers laughed at his possum capers,
He made friends with bunnies and even two drapers.

At last, the train rolled into the town called Rain,
Where umbrellas twirled like a colorful chain.
Awesome, excited, leaped off the train,
Ready to dance in the puddles and gain.

But oh, the townsfolk were in for a surprise,
For Awesome's idea was met with wide eyes.
"You're a possum!" they gasped, with a touch of disdain,
"We don't dance in the rain; we avoid getting wet in the main!"

Undeterred, Awesome grinned and replied with delight,
"I may be a possum, but rain's pure delight!
Let's forget our worries, let go of the pain,
And dance in the puddles like we're dancing in Spain!"

Soon, Awesome's joy was contagious, you see,
The town joined the dance, wild and free.
Umbrellas twirled, laughter echoed like a train,
In the lively, rain-soaked town called Rain.

And from that day forward, in sunshine or storm,
Awesome, the possum, became Rain's norm.
He showed them that life's about joy and refrain,
So dance in the puddles, be it sunshine or rain!

References

ⁱ Photographic evidence:

ⁱⁱ [*'23 NYC Latticework– Christopher Tsai interview with Peter Keefe*](#)

ⁱⁱⁱ <https://open.spotify.com/episode/7rc0ltSzV5dXdtBVhJ7yvd?si=d15bd590ea2a4181>

^{iv} https://x.com/pessimistsarc/status/1775153178020889084?s=12&t=Uy_ljHR3oTZ-05ntR_UkZQ

^v <https://chat.openai.com/share/a8bf0df9-5373-489e-b946-a585e1c74d29>