

# THE BULLET POINTS

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Mindset is to own companies forever (while recognizing that won't happen often)

Seek out durable competitive advantages that can last decades

Management on my side of the table (significant insider ownership)

Long holding periods and low portfolio turnover

Concentrated (8-10 holdings is typical)

Wiedower Capital is structured to align my long-term investment strategy with my clients and my own incentives

# LONG-TERM COMPOUNDERS

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My favorite investments are the highest-quality companies and CEOs that I can invest in for many years. In general, these companies have the below characteristics:

- Founder-led (high insider ownership)
- Durable competitive advantage
- Industry tailwinds at their back
- Long runway for growth
- Profitable
- Safe balance sheet (lots of cash, little debt)

When I find these companies, my focus is on how the industry may evolve over the next 5-10+ years and if the company's competitive advantage can expand within that evolution. The goal here is to find compounders that are still in the early innings of their lifecycle. Unless the facts change (and my thesis is proven wrong) or the founder leaves unexpectedly, I view these holdings as almost permanent investments (whether that ends up being a holding period of 5-10 years or forever, I don't know).

## **EXAMPLE: WHERE FOOD COMES FROM (WFCF)**

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Where Food Comes From is the largest third-party auditor of food production practices in the US (non-GMO, organic, gluten-free, animal welfare, non-hormone treated, etc). The major tailwind behind them is that now more than ever, our population is demanding more transparency in our food supply chain. The US is also eating healthier and cares more about things like animal welfare than ever before.

I believe they have a durable competitive advantage in this growing industry due to their scale (largest company in this space and they work with all the biggest farmers), barriers to entry (FDA accreditation and some of the auditing programs like Non-GMO Project and Global Animal Partnership are extremely selective), and the recurring revenue that comes from their low churn rate (customers are very sticky).

Finally, Where Food Comes From is still led by their passionate founder who owns 30% of shares and keeps lots of cash and very little debt on the balance sheet. They've been growing 10-20%+ per year and because of the industry tailwinds and competitive advantages, I believe that growth can continue for many years. I hope to own Where Food Comes From forever, or until my thesis is proven wrong, whichever comes first.

# WHY I PREFER FOUNDER-LED COMPANIES

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What a company can earn over the very long-term (5-10+ years into the future) is what makes up most of its value today (in other words, a company's terminal value is often 70-80% of its fair value today). And if the long-term is what matters to a company's value, then the only way a CEO can be truly aligned with shareholders is if they are motivated to grow the business in the right way over the long-term.

Founders almost always have a significant voting share in their company, so there's a much higher chance that they're around for the next twenty years (and just the fact that they're the founder gives them more staying power). A founder also has more economic incentive to grow the business over the next several decades (thanks to their large ownership share) as opposed to being motivated by short-term incentives.

Finally, I believe passion is one of the best predictors of success, and it's hard to replace how internally driven many founders are to see their own business succeed.

## WHY I LOVE INVESTING

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Even more than investing, I love learning. Investing just happens to be the perfect outlet for that—there will always be more companies, industries, and countries to learn about. Beyond that, a lot of outside disciplines indirectly help my investing. Much of what I consume on a weekly basis may not directly benefit my investment results, but I believe there's a lot of value to learning broadly and trying to understand the world better.

Next, I enjoy the treasure hunt aspect of investing. Digging through hundreds of stocks in search of the best companies in the world is exciting to me. And it's even better when the company is still run by its founder. I've started companies myself and tend to love all things related to entrepreneurship, so it's fun to follow passionate founders who are trying to make the world a better place.

Finally, investing fits my personality to a tee. I've always been very independent (I've never had a traditional job) and I am an introvert, so sitting in an office by myself reading and researching all day is pretty much my dream job.

# LONG-TERM GOALS FOR WIEDOWER CAPITAL

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Goal #1: to own a handful of high-quality businesses for many years. I get personal enjoyment out of being a partial owner of companies that are a) growing, evolving and changing their industry, b) making the world a better place, and c) led by passionate founders who I can learn from.

Goal #2: to be a trusted steward of my investors' hard-earned money. I have put a lot of effort into structuring Wiedower Capital to be very client-friendly. Management fees scale down over time, performance fees can be clawed back due to poor performance, and assets under management are capped at \$100 million. I hope to make my initial investors (family and friends) a lot of money and provide them with the means to retire a little early or go on a few extra vacations.

# WHY I THINK I CAN OUTPERFORM OVER THE LONG-TERM

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Time arbitrage: the main thing I think about when looking at a company is how durable their competitive position is over the next 5-10+ years. The vast majority of investors are focused on the next quarter or the next year, which is mostly just noise in terms of what really matters to a company's value.

Stay small: I will never manage a lot of money because I don't want a large anchor on our returns. I judge my own success as an investor based on long-term investment returns, not on how much money I manage.

Wiedower Capital's structure: My performance fee is earned over multi-year periods and new clients are subject to a three-year lockup (this self-selects for long-term investors). This structure was chosen to align my long-term investment strategy with my clients and my own incentives. If all three of those are aligned and pointing in the same direction, our chances of success are greatly increased.

# HOW I GOT HERE

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Self-taught investor

Former professional poker player. After that I co-founded two companies in the foodservice industry. Investing was always a side passion.

Degree in Entrepreneurship

Other things I enjoy: traveling, boating, backgammon

What I look like (on a good day) →



# **STRUCTURE, FEES, AND MINIMUM INVESTMENT**

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Wiedower Capital is a Registered Investment Advisor started in February 2015. Client funds are held in separately managed accounts through Interactive Brokers. All client accounts (including the manager's) are invested in the same investment strategy. This strategy is long only and uses no leverage or margin. Wiedower Capital is solely focused on maximizing the long-term returns of this one portfolio and that's it.

Qualified clients pay a 1% management fee paid quarterly, plus 25% of net profits on returns over a 7% annual hurdle rate. Earned performance fees go into a reserve that can be depleted by future underperformance. 25% of the running balance of this reserve is paid to Wiedower Capital at the end of each year. Non-qualified clients pay a flat 2% management fee paid quarterly. All management fees scale down as AUM increases.

3-year lockup period with penalties for early withdrawal. Minimum investment is \$75,000. Retirement accounts (e.g. IRAs) are allowed.

# **CONTACT INFORMATION**

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# DISCLOSURES

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This document is intended for informational purposes and is not a solicitation to buy or sell any securities.

Investing in Wiedower Capital LLC is subject to high volatility and risk of permanent loss. The strategies and policies presented in this document are subject to change without notice.