

A Decade in Review: Where's the Rest of Me?

This month marks my tenth year in the investment field. I would like to take this moment to thank all who have trusted me, and all my colleagues who have believed in me and worked with me through the years.

Some people remarked on how courageous I was to have started my own investment business when I was in my early twenties. Looking back, there was a fine line between courage and ignorance. It was probably my ignorance that got me into investment, yet it has been courage that has kept me on the journey thus far.

I still remember how simplistic I was when I started RC Investments, the predecessor of Chartwell Capital. In the first few years, I was managing capital by myself. I had no grand investment strategies, no marketing plans – just a pure intention to seek value stocks in both the United States and Hong Kong.

In the beginning, some people criticized me for my youth and inexperience. I wasn't offended. I kept my head down and proved my ability slowly. To do that, I tried to build a sustainable operation so that even if I couldn't make money, at least I wouldn't lose much either. From then on, and even to this day, my goal has been to seek downside protection in any investment, and to make sure that a "margin of safety" is present in all of my investments.

To me, investing is about growing the capital. It doesn't matter if you grow it with an easy idea or a difficult one. In that sense, I simply look for easy-to-understand ideas. If I can't describe a company in a few sentences, or if I can't explain it to a ten-year old child, then I drop the idea and move on. When a company is identified, my next task is to estimate the worth of its business and compare that to its stock price. If the stock sells at much less than the estimated worth, then I buy. If not, then I move on.

People have asked me why my investment framework is so simple. I don't know the answer because I don't understand why I would need to complicate my objective of growing the capital. With that in mind, although the framework sounds straightforward, the analytical process behind it is constantly reviewed, revised, and refined as my experience grows.

Investing at my own pace was enjoyable, but I could only do so much all by myself. To expand my investment research, I needed some help. In 2006, my university friend, Brian Lui, joined the company. He told me how much he enjoyed value investing, and how he would rather be "long-term greedy" than chase quick money. Together, we gradually became a new force

among our peers. Over time we attracted more like-minded individuals to join us on our value hunt.

2007 was a memorable year. Personally, I lost my father, who had always been a big supporter of my investment business, both financially and mentally. Business-wise, I felt that it was time for a change. First, the investment team couldn't find value stocks anymore. Second, I decided that it was time to restructure RC Investments so that it would have the right investment platform to accommodate future growth. In mid-2007, most of our investments were sold off and business restructuring was underway. In early 2008, Chartwell Capital was formed and received regulatory approval to conduct asset management and investment advisory in Hong Kong. In mid-2008, we re-opened for business.

People have asked me about the origin of the name Chartwell. They tend to think that it stands for "charting the market well." To clarify, Chartwell is not engaged in charting the market. Its strategy has always been based on the principles of value investing.

Chartwell is the name of the estate that was owned by Sir Winston Churchill. At Chartwell, Churchill went through his wilderness years and political triumphs, and he wrote the following: "When I look back I cannot but return my sincere thanks for the gift of existence. All the days were good and each day better than the other. Ups and downs, risks and journeys, but always the sense of motion and hope . . . Do not be fobbed off with mere personal success or acceptance. You will make all kinds of mistakes; but as long as you are generous and true, you cannot hurt the world or even seriously distress her."

Inspired by Churchill, I named the company Chartwell to symbolize endurance and perseverance – the courage to keep going forward. At Chartwell, we know that we will go through our ups and downs, risks and journeys, but we always anticipate a brighter future. Although we know that the world can be uncertain – which prompts us to seek downside protection and a margin of safety in our investments – as long as we are generous and true, we will not hurt anyone or seriously distress our investors.

In building Chartwell, generating good investment return is not the only aim. What we care about more is our investment framework, and that we conduct our business honestly and fairly. In that sense, we have no intention of chasing investment returns for the sake of beating the market or impressing investors. Even if we lag behind, or if we fail, we will always uphold our investment principles and defend the very meaning of value investing.

Seeing how the financial industry has destroyed many investors and ordinary people over the past few years, generating hefty investment profits by skillfully ruining others does not contribute much to humanity. Instead, it is only by maintaining our character and human decency that we push the world forward.

Since my first child Chelsea was born in 2011, doing the right thing and leading by example have become my top priorities. After all, you and I are directly responsible for shaping and nurturing the next generation.

As a father, an investment manager, and better yet, Uncle Ronald, what I ultimately want to demonstrate to the next generation is the quality of being reliable and trustworthy. What I must show is not that by building an investment operation I can retire young and rich through hitting an investment jackpot. What I must build is an investment operation that demonstrates principle, value, and character. My ultimate measurement of success is not the number of zeros in my bank account, but the number of people who will sincerely pay tribute to me at my funeral. My children and their peers will be the best judges of my character.

A famous watchmaker has this slogan: "You never actually own the watch, you merely look after it for the next generation." In looking after your capital, my commitment in the years ahead will be to safely and surely protect and grow your wealth so that you can pass it on to the next generation.

More to that, if you ever tell your children or grandchildren to call up Uncle Ronald for personal or investment advice because you count me as a fair and honest person, then you will have given the greatest endorsement of my duty, both as an investment manager, and as a man.

Sincerely,



Ronald W. Chan
Chartwell Capital Limited
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