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Founder, Principal, Portfolio Manager

COVE STREET CAPITAL

Historical Guide to Missing The Next Downturn

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What Should Worry You

The “Lower Rate Era” that began in 1981 is over

A hard statement to make – “There has never been a dumber time in credit”

Is China much worse than you think…and consider the marginal demand pull

Look around you – crypto? weed? The next Theranos?
Faang ETF’s? Direct lending?

Be fearful when others are greedy

What Should Worry You

“They think any schmuck can come in and make 8 percent,” Ressler, 58, said in an interview. “Things will not end well for them.”

Why do 60/40 when you can do 90/60? The beginning of the end of risk parity.

The Old Normal

We Make This Much Harder Than It Has To Be

Basic but not too much diversification

Are you truly taking advantage of your biggest “edge” – the Bezos time arbitrage?

This is when you should be weeding out your “what was I thinking” investments…and focus on investments where you can say, “I want it to go down so I can buy more.”

Do you really understand the probability profile of your active bets? And true costs?

Per the book of Ecclesiastes, “Whoever watches the wind will not plant, whoever looks at the clouds will not reap.” Do some of your own work

Closing Thoughts

"Endless concern about what might go wrong though keeps you from acting in a positive and productive manner. If interest rates go up, that won't do equities any favor. I just think it will hurt them less than the alternatives. Companies can and will adapt to inflationary and deflationary episodes. The ability to pass through whatever costs that exist, and the values of brands, and distribution networks make equities a dynamic, and currency change protected security more so than anything else I can come up with right now." — Tom Gayner, CIO of Markel Group

"The wise ones bet heavily when the world offers them that opportunity. They bet big when they have the odds. And the rest of the time, they don't. It's just that simple." — Charlie Munger

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Mr. Bronchick is the Portfolio Manager and founder of Cove Street Capital (CSC). He has over 30 years' experience running research-driven, concentrated, value-based strategies across all market capitalizations. Prior to the founding of CSC, Mr. Bronchick was the Chief Investment Officer and a lead principal of Reed Conner & Birdwell, LLC, a Los Angeles based investment manager. He was one of the first columnists for the TheStreet.com in the 1990's and then moved on to a similar role with Grant's Interest Rate Observer's first online effort. Mr. Bronchick also previously worked in equity research, sales, and trading roles at Neuberger Berman, Bankers Trust, and First Boston. He attended the London School of Economics and graduated from the University of Pennsylvania with a BA in Economics.

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Paul Hinkle joined Cove Street in 2012 and brings over 15 years of experience in the financial services industry. Previously Mr. Hinkle was a Vice President at Guggenheim Partners, where he executed M&A advisory and financing transactions for both middle-market and large cap companies. Mr. Hinkle had similar roles at Bear, Stearns & Co. and Needham & Company. In addition, Mr. Hinkle founded Silverstrand Enterprises, a consulting practice focused on start-up companies in Southern California. Mr. Hinkle earned his BA in International Relations from Stanford University and his MBA from the UCLA Anderson School of Management with concentrations in Finance and Entrepreneurial Studies.

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