Long Term Reports for Forager's Long Term Investors

Those of you who follow our monthly reports closely might have noticed a subtle change of tone in the July and August versions. That change is going to be a lot more obvious in the September Quarterly Report, set to be released in the first few weeks of October.

One of the speakers at an investing conference we attended in July was Joel Cohen, a representative of the MIT Endowment Fund. While most of us were there to talk about stocks, Joel talked about his experience watching funds management businesses from the outside. With more than US$10bn to look after and a stated philosophy of selecting active managers to invest on the fund's behalf, Cohen has seen a lot of funds management businesses.

His speech highlighted the mistakes he has seen bring funds management businesses unstuck. One common shortcoming is a disconnect between the philosophy underlying the investment process and the communication between the fund manager and his or her investors.

Why, he asked, does a fund manager who professes to invest for the long term feel the need to explain every little rise or fall in the unit price? Why are the quarterly reports focused on which stock rose 5% and which fell 10% when the investments are supposed to be held for three to five years? And what impact does all of this short-term, performance focused reporting have on the manager's actual investing?

When I look at the format of our historical monthly and quarterly reports, we're guilty. Yes, we write plenty about long term investing and the underlying thesis behind the investments we make on your behalf. But the first paragraph of every report we've ever written has focused on the performance over the previous one month or one quarter.

It is of no use to you. Apart from encouraging you to think about the wrong things, you can get the performance off the website any time you feel like it. And it potentially impacts our investing without us even knowing it.

So, as of this quarter, we're going to remove all commentary about short-term performance from the monthly and quarterly reports. The reports will be about our investments, why they have been made and how they are progressing. Then, shortly following 30 June every year, we'll send you a detailed performance report that shows you what we have achieved over the long term and how we have done it. This performance reporting will be much more detailed than anything we've provided before, but it will only be once per year and will be focused on the long term results.

While recognising that this is going to be quite different from the industry standard, the more I think about it, the more I think it is the right approach for our business and Forager's investors. I'd love to hear your thoughts, though, so please leave any comments at the bottom of this post.