

Tren Griffin – Escaping Gravity

Jim: Well, hello everyone. It's Jim O'Shaughnessy with another edition of Infinite Loops. I'm here with my cohost, Jamie Catherwood, and with Tren Griffin, somebody who I have been wanting to talk to forever. So this is a major treat for me. Tren is a senior director of strategy at Microsoft and many, many other things. Welcome, Tren.

Tren: Great to be here.

Jim: So right out of the gate, I want you to talk about missionaries versus mercenaries. You gave a talk about that, that I watched, that I thought was fantastic. And I think it would be great if you could kind of reiterate the difference between missionaries and mercenaries.

Tren: Well, John Doerr was the one who came up with the idea, and he's sort of got a checklist of things. But the key element is, doing really great things is hard. And doing great things where you're basically breaking ground and being innovative, is even harder. And so if you don't have the perseverance to last through an ordeal, to go through the valley of death, to emerge on the other side, you just don't make it. And so if you follow or invest in a mercenary, the odds are when the going gets tough, they're going to quit and go onto the next thing. Whereas a missionary, gets to the other side. Now, there's survivor bias there. My friend Craig McCall likes to say, "A lot of pioneers get arrows in the back."

Jim: I was thinking that actually.

Tren: Yeah. A bunch of times. Now that's survivor bias. But still, if your goal is really to do something just great, then you better team up with and follow missionaries, because they're going to endure.

Jim: I agree. And I was really taken when I was watching your talk because, and we were talking before we started the recording. People who are very, very curious, right? We end up taking very different career paths, and sometimes for reasons that people are like, "Well why would you ever do that?" For example, the stock market. From when I was a kid, it just fascinated me. It seemed like the ultimate game or the ultimate challenge. And it was so many moving parts, kind of a meta game, et cetera. And I think you've done a lot of the same. I mean, your career is really fascinating. Why don't you tell us a bit about how you got to where you are?

Tren: I absolutely agree with you, and I use the exact same phrase. Which is, first of all, sometimes I introduce myself and they ask me what I do and I said, "Well, I'm curious. I want to know as much as I can." And that's why I clicked so much with Charlie Munger when I first encountered him, because he has this idea of you need this baseline of general knowledge, and then you need to pick some areas where you have a circle of competence. And you need to have both, you can't just have one. And so what happens is, in life you have what I call career karma. Which is, if you work hard to learn and understand things and really go deep in some areas and make yourself broad and just follow your heart and your mind, you accumulate a whole bunch of knowledge.

Tren: And in the beginning, it may not optimize your wealth or income, but in the end it comes back to you because in the end you have an expertise and you can monetize that. But I don't do it for that reason. I never made choices in my life to maximize wealth. I lived in Asia for a while, I did all kinds of things. For five years actually, I lived in Asia. I wanted to experience the world. I wanted to be an expat. I wanted to do these things. And to me, the key in life is, "How many great stories can you tell about your own life?" Right?

Jim: Right.

Tren: Because if that's true, you've had great experiences. And if you've had great experiences, then you've met great people and you've made a difference and all these great things. Because pretty soon you're old and then you're dead. And if you wait, just like Buffet says, if you wait until your 90s to do great things, it's like, "Bad idea." Go for it, live, have curious, great experiences. But also, meet great people.

Jim: Yeah.

Tren: And the weird thing about my life, I was thinking about it yesterday, is that oftentimes I feel like Forrest Gump. I've written about this before, in that, I've been in all these situations where history was being made. When IBM came to town in 1980 to do the PC, just all these things, and you get to watch it. And I feel like Forrest in Beijing, when the ping pong thing was going on, he just happened to be there to see it. It was like, "Wow, this is cool. Michael Milken's in the office." All these things. And it's fun.

Jim: Yeah.

Tren: Why not have fun in life?

Jim: Again, I said off, before we started, we're brothers from a different mother. Because, sometimes people would say to me, "Why did you start this particular company?" And I would honestly look at them and say, "For the stories." I've been lucky too. But a little bit more, because you're being modest. I mean, you have done some incredible things. For example, your work with Craig McCall, this idea of Teledesic. Am I saying that right, Teledesic?

Tren: No, but it was close.

Jim: Talk a little bit about what drew you to these various, really interesting, and kind of novel things.

Tren: So I got lucky, oh, many, many times. But maybe the luckiest day of my life was when Bill Gates Sr., was assigned to be my mentor. And it's one of these things where, it's like being born on third base or something. You got this guy who's so amazing, and you can just model his behavior. And you're just like a little duck walking around after him. And there was all of these things that flowed from that. And I believe that success, like

money, compounds. And the more you know and the more you learn, the more people say, "Wow, he knows a lot. Let's get him involved." And then you learn more.

Tren: And you have these people, like my friend Bill Gurley or others, who've been around so many other smart people, like being around smart people makes you smarter. Being around interesting people makes you more interesting. And so, it spirals. And so you start out with that and then you just spin and then you follow your heart. And Bill's wife Mary said, "Oh, you should get involved in mobile." And then Craig McCall I met, he's part of a group that went to a private high school here called Lakeside, and I started working with him. But there are also certain life experiences; and I never had a bucket list, but it's like, "Oh, I want to live in Asia for a while and be an expat." Or with the startup it was like, "I want to do a startup." And it's a funny story. It was a day in 1994, where I got a big offer to go to work for Microsoft, and a big offer to do this startup. Same day, same offer letter.

Jim: Wow.

Tren: And they were both working for Bill. Young Bill, Trey, was half of those founding shareholders at Teledesic, and there's Microsoft. And I said, "Well, God this is hard, but I'm going to go do the startup because I want to have that life experience. I want to go zero to one. I want to create something big." And I wrote him. I said, "I can't go to Microsoft. I want to go to this other thing that you're involved in." And he said, "I understand." And I think what he actually thought was, "You are nuts. This is a startup. Windows 95 is like a year away." He's like, "What are you doing?"

Tren: But it was, I really wanted to have that life experience and to be the founding employee and create something from nothing, and go through that scary, lay awake at night, cold sweats, of starting a business. But to have that life experience makes your life better, because in the end, the Munger quote is like, "Nothing's more worthless than another billion dollars to a 90 year old." It's like, live! Especially when you're young. Live. Do shit. You know? Sorry.

Jim: Oh no, no. We swear on this podcast.

Tren: Okay. But you know, do things and have experiences. Because you can't replicate them.

Jim: Right.

Tren: There are certain things you can only do early. I do a lot of mentoring right now, and one of the things I say, is when you're young, all these doors are open to you. You can be a jet pilot in the Navy, you can do all these things. But as you get a little bit older, doors start to close, and some of them you close yourself. You say, "Well, I got all these obligations and people depending, and I can't just move to Nepal and be a rug merchant or whatever." You can't do things like that. You can, but there are costs associated with it. When you're younger, there are no costs. So my recommendation is, do things.

Tren: And then the other thing which we are, I'm going to switch topics here, which we're brothers about is, we're like siblings, is that business is the greatest game on earth. It's the greatest video game on earth. It's a complex adaptive system, everything's changing, everything's interactive, there are all these pinball's, every day is a new canvas. Like that wonderful canvas behind you we were discussing earlier, the ability to paint and create and do and changes every day, there's nothing more fun than this. It's cool.

Tren: And the fun thing is, for me, why I'm different in many ways, is that the Munger style of investing means you really have to understand the business. And so for me, being in business helps me be a better investor because I'm doing bottoms up analysis of any company I invest in based on what I do every day. And it's sort of a micro, uni-economics, grind it out, customer acquisition costs, all that stuff. But that's the way I invest too. So understanding the business, the Graham idea is, there's one of them that I don't believe in, which is the backward looking point idea. But the forward looking, understand the business granular, understand where it's going, understand strategy, understand what's going to change, that's fun. I can't imagine anything more fun.

Jim: I agree completely.

Tren: Text is pretty good. But you know, there's-

Jim: That works with your, "Do it when you're young." Right?

Tren: When you're old too. I mean, I think it's great.

Jim: As do I. As do I.

Tren: But the point here, is that it's just such a great thing. And it's hard in the beginning, because you don't know the terms and people are talking above your head. But Bill Gurley gives this great talk at the University of Texas at the business school there, McCombs. And he basically says you can be an expert on anything. The internet exists. And pick the topic and just be the expert and dig in and learn and grow. And pretty soon, you'll know a lot. And pretty soon, people come to you and you learn more. And I got a bunch of calls from people yesterday about different space business things in my garage, which is, when we talked about where I am right now, where I've set up my office with the door open.

Tren: But the important thing is, is here, you learn every time you have a conversation with somebody. Someone calls you and asks a question, you're learning. You mentor a young person, you're learning. All these things are bilateral. And it's also karma. Which is, you give to get. And one of the things I tell young people in my mentoring sessions is, give to get. Find someone you admire and offer to help them, and don't expect anything in return. And it will come back. And not always, but it will come back often enough that it will pay off probably better than any investment on earth, is finding the right mentor and the right role models. And to invest in that before you get anything, compounds like crazy too.

Jim: I feel like I'm interviewing myself here. You're going to throw me into a recursive loop, because I could not agree more entirely. I believe in karma, and the climactic wheel very rarely stops. It just keeps turning. And you never know where it's going to come back from. Sometimes it doesn't come back, but usually it does. And often, from places where you're not expecting it. So I love the advice: give to get, but don't expect anything in return. Because you're already going to get something through the exchange, through the learning. I 100% agree with you. You wrote something about role models versus anti role models. What's that about?

Tren: As you go through life, life is like a grocery store. And all of the characteristics of a human being and a person, are like items on the shelf. And when you're young, you don't get a lot of choices. You model your parents and maybe you get lucky, they're amazing. Mine are. And you're grabbing these things like, "I want to deal with friends this way, and I want to study this way. And all these things. I want to learn this way, all these things." And you get lucky there. But then you get a little bit older, and then particularly in your high school and college, especially college, you're in this grocery store and they're like, "Whoa, there's all these other ways to be interesting and to be cool." And you say, "Well yeah, my mom did this but this is really better."

Tren: Or, "My friends taught me this and wow, this person, the way he deals with romantic relationships or where he learns a way, he studies, or where he's going to go with his life." And so you're constantly picking these things. But the anti role model thing is also, when you're doing that, when you're looking at the grocery shelf, some things you'll look at them and you go, "Oh my God, I would never want to be that way." And sometimes you have a friend, often you have a friend, even if you include me as a friend, and you look at him and you say, "I like this and this and this about him, but oh, that part of him just bugs me." And the anti role model is you don't want to be like that, right?

Tren: And this is the Charlie Munger idea of, basically, find the things that are horrible in life and don't do them. It's a Johnny Carson speech, sort of like, "Don't race trains to crossings, don't do crack," there's all these things. It's like, "How do you succeed in life?" And Munger says, "Well, don't do stupid stuff." But also, in this situation, it's like, "This person is not empathetic." He's very smart, he's all these other qualities, but he's not empathetic, and I don't like that. I want to be empathetic. I want to care about people. And so that's the anti role model. You see it and you do the opposite.

Jim: Yeah. I think it's great, because so often people just, they just look at what they want and they don't think too much about what they don't want. I was lucky to have a fantastic grandfather who taught me this, and he called it the art of premeditating things. Which is kind of like doing a Monte Carlo simulation in your head, but thinking about it in multiple views. And then writing about it. That's another thing you and I share, which I want to get into in a minute here. But what you do when you do this is, kind of like your remarks about the anti role model, is sometimes you find that some of the things you think you want, you actually don't. And the only way you can figure that out, something I passionately believe in, is if I can't write down what I believe, I don't know what I believe.

Jim: But the act of writing, I think, can be very illuminating to your own ideas. Because sometimes you'll sit down to write and you'll say, "I believe X." And then you start to write about why you believe X and you end up finding that you don't believe X. And you're a huge fan of writing it down too. Talk a little bit about that and how that has unlocked; I mean, your blog, 25iq, you often write really interesting things about fascinating people. For an example, I love the idea, because I share it, that most of the things that I have learned that have been most helpful in my investment career came from reading and understanding things outside of the field of finance. You wrote one about, you did The Jerk. I love that, the Steve Martin movie, and what you've learned from comedy. And you do rap too, which I think is really cool. But was this something that you embraced when you were young? Talk about how you came to understanding the importance of writing things down.

Tren: So occasionally you get lucky and you get an early teacher who helps you understand this key idea that you're getting at, which is expressed by Buffet in this way, "If you can't write it down, you haven't thought it through." And so in the process of writing it down, you write A, B, C, D, and then you reach this brilliant philosophy organization called South Park, has this comedy where, and then there's this question mark, right? And then you go X, Y, Z at the end and you realize that this is not all linked, that you haven't thought it through. And that's what you're missing. And so that question mark then, for some people, it's like, "Oh, well then I can't answer that." And for someone like you and me is like, "Well, I don't know that. I want to know. I'm curious. I'm going to go find people who are going to tell me how to replace that question mark."

Tren: And so you start writing things down. And one of the issues that I've found is it's also, especially when you publish it, it's an act of bravery. I'm a huge fan of anybody who writes a book. Morgan Housel just wrote this wonderful book, you go down the list of books I just read, Galley or somebody else's book. When you publish a book, you're basically putting your emotions and your heart out there, even a blog post or a Tweet, and you're saying, "This is me." And anybody can attack it. And people, lots of people, do. But it's an amount of brave. You're saying, "Here's this book," I wrote this book on negotiation, for example. "Here's this book, these are my experiences in business and in travel." And it's emotionally raw, especially if it's about you.

Tren: And so what happened for me was, in early days of Twitter, my two friends, Bruce Dunlevie and Bill Gurley said, "Oh, you should get on Twitter. You should start writing." And so I got a Twitter a little bit and I started writing and I said, "I better write some stuff down before I'm dead, because it'll all be lost." So I started writing stuff down and that's how 25iq started. And I wrote 4,000 words every Saturday morning, about, and I did it for 300 weeks in a row. And a lot of it was just like, "Well, I had a lot of luck. I got a lot of good learnings. I want to share it, so I better write it down."

Tren: And no one could keep up with me, like there's typos in there and whatever, because I didn't have an editor. It was just me, just Tren writing every Saturday morning before I go out and garden or whatever I would do. But writing it down was cathartic, in that it helped me think my ideas through. It was also an act of bravery. Like, "Here's what I think about subscriptions." Or, "Here's what I think about this." And it's brave, because most people are like, "What if people criticize me?" Going to happen. Going to happen.

Be brave, be audacious, get your ideas down. And also, that dialogue going back and forth, is wonderful because you learn. If someone says, "Well what about this?" Well probably, you weren't clear in explaining it. But writing is cathartic. Writing is art. Writing is bravery. Anybody who writes a book, bravery. Blog post, bravery. Tweet, bravery.

Tren: And being brave is how you learn. Making mistakes is how you learn. Being out there. Anyway, so that's my philosophy. And the great thing that we both know, as you get older, one of the, there's a lot of shitty things, right? Back pain. The best thing about being old is, you don't care what other people think. I don't give a shit.

Jim: Exactly.

Tren: Right? If you disagree with me? So what. Good luck with that. But it's one of the best things about being old. Which is, you don't have to care. You can listen to Kool & The Gang and dance in the driveway. The neighbors are looking up saying, "What the hell is he doing? He's lost his mind." It's like, "No, it's just a little retro, just a little retro enjoyment. He's having fun." But anyway, you don't have to care. It's how you bake things, right?

Jim: Right.

Tren: It's how you bake. "I got this idea for this." And what a lot of these people who are investors will tell you is, if you're like, "Oh, this is stealth. I'm not going to share it with anybody." If you're not baking it, if you're not getting feedback, it's not going to happen. There are plenty of great ideas, there's not a lot of execution. Which is what I admire about all

Tren: Not a lot of execution, right? Which is what I admire about all the things you've done in your business. You built a business, that's damn cool. You got customers and employees and people are going home at night. Now that's the good news. The bad news is there were probably nights where you're laying awake at night saying, "If this doesn't work these people aren't going to be able to pay their mortgage.

Jim: Yep.

Tren: I thought there all the time. My assistant, I thought, "If I screw up here, she's going to lose her house." And so to create things is beautiful, but it's also scary, and that circles all the way back to be a missionary. And some people aren't cut out to be a missionary. So go to work for Google. Smoke a lot of doobies. have a good time.

Jim: Exactly. And so true. I think of Teddy Roosevelt's "The Man in the Arena." Right? And I used to have a guy who worked for me, his wife's father-in-law was from Cuba and he had this wonderful thing. He would always shout out maybe after a little too much wine. And it was, "Why cheer from the sidelines when you can play in the game?" I love that because I just looked at him and I said, "You've just described my life's philosophy." But I like your idea also about, because I haven't really thought about it that way. The bravery

aspect of writing. I've written four books, and they kind of really made my career possible. And they led to what Patrick has dubbed [Osam's 00:25:36] Learning in Public, and lots of great stories about What Works on Wall Street and big companies trying to buy my small little firm so that I wouldn't publish What Works on Wall Street, which is really weird because they wanted proprietary data.

Jim: And I'm like, "Listen, man, it's human nature. You can scream this stuff from the rooftop," and you might get a few people saying, "What?" But I like that idea. And you're right, because when I wrote my first book, I was pretty young. I was in my early thirties, and man, did I care what people wrote about it. And sort of cut to the quick, and quick to make arguments for why they were wrong. And now I could give a shit. I really don't care what anyone thinks about what I write, what I say. I'm trying to be helpful. And what I find, because I, like you, work with a lot of younger people, mentor, and one of the first things that I see among really talented young people is this idea of they care way too much what other people think of them. And I think I want your thoughts on this. Is it something that you just grow out of or are some people built that way? What do you think?

Tren: So, first of all, I think it's part of human nature and there've been psychological experiments that have shown this to be the case, but probably the most humorous one is they take a Macy's window where there's a display and there's nothing in there except a chair. And they put a young person in there, 16, 20, something like that. And then they let people walk by in the old days when people were walking by places like that. But people would walk by and the person in the chair would fidget and they'd be nervous. "What are they saying about me?" And you could tell they were uncomfortable because people were saying, "What's the person doing in there sitting in that chair?" And they were really caring about what people thought.

Tren: And then you put somebody in that chair who's 60 or 70 and they're just going to sit there. It's not going to bother them at all. And you can easily see that the person doesn't give a shit. "You're looking at me like I'm sitting in this chair. So what?" Right? But there's a certain amount of bravery there that I think is a spectrum. Some people, "I couldn't do that, I could fail." And there are other people who have been around people at an early age where they see that failing school, failing's doing interesting things. And also, I tweeted about this morning, but this Bezos idea that in order to do something great, you have to be willing to be misunderstood in the beginning. Right? And there's this great story, this guy named Dick Brass who invented the spell check, and he was early, early, and he would go to the companies who owned dictionaries and say, "I want to buy the digital rights to your dictionary to do stuff with it. I'm not going to publish it, but I'm going to do stuff with it."

Tren: And they thought it was hysterical and they let them around the office and they go, "This guy wants to license the dictionary." And they were all having a hoot about it. And he tells them, this is very funny. But the point here is that he was willing to be misunderstood, but he also created huge value because he licensed the dictionary, created the [inaudible 00:28:58] and sort of the rest is history, but you have to have that bravery. And I think it can be learned and being around people who are brave and

watching them, they aren't afraid to fall down and you can say, "Wow, he fell down and got back up. That's cool. And look, this third one worked."

Tren: And then you see people, some people are savants. Craig McCaw was that way. Bill Gates is that way, where they're successful multiple times. And then you look at them and say, "Whoa that's not luck," right? Because occasionally in life, a lot of times, people bring me to meetings because I'm entertaining and they don't want to talk a lot, the person's shy or whatever. And so I get to go to these meetings with very important people who I [inaudible 00:29:46] wouldn't do. But anyway, and I've met lots and lots of people and I've gotten so I'm pretty good at saying after the end of the meeting, "That guy was lucky." There's no there, there. Nobody's home. Or even some CEO's, that's an empty suit. Hail fellow, well met.

Tren: But anyway, but then sometimes you meet somebody, go, "Whoa this person's so smart and there's no luck involved here at all, and they did amazing things." And they were so brave in the years when people were saying, like Bezos in '99. And of course when he started it too, dude was brave. Now, some people have a pretty good fall back position. People like me, like I said, I'm going to go live in Asia for five years. Most people would say, "Yeah, but what if everything goes wrong?" Well, if everything went wrong, my family would have made sure that I had a start or something. So I had a fallback that other people don't have. And so I'm lucky. And that's why I give back. No, that's not. That's one of the many reasons why I give back, which is I had this ability to be brave, but you can cultivate braveness, and braveness is what creates fun and learning and a rich, rewarding life.

Jim: Absolutely. And as you were speaking, I was kind of thinking of the Arthur Kessler quote, which is, "The more profound a discovery, the more obvious it seems afterwards." And what's interesting to me at least is so many of the things that have gone on to be these massive successes, right? Just seemed so obvious after the fact, like your guy with the dictionary, right? And we fill in, right? And we believe that we knew something back then that we know now, right? And so we think, "Oh, well that was no big deal," but it was a big deal. It was a huge deal. Nobody was thinking about it. And I think of, I had a great podcast with Roy Sutherland who wrote the book Alchemy, and he's talking about Uber, right? And he's saying, "Listen, the great insight there was it removed uncertainty. People hate uncertainty, right?"

Jim: And so the time that it takes for the car to get to you is probably the same, but you get to watch that little car on the screen, and nobody thought about it that way. Right? And so I love playing with these what ifs. I love alternate history, for example. And so the idea of sort of bravery is cool to me because when I started my first company, it was kind of a burn the ships moment, right? I'm burning the ships. I got to go forward.

Tren: That's exactly the right metaphor.

Jim: And it's fun though, right? I think that you bring this up, and I haven't talked about this much and so I'm glad we're doing this because that's a great insight. The insight is, imagine all of the fun you can have. Yes, it requires you to be brave. Yes, it might require these other things. Yeah, it's going to have some sleepless nights, but man, your life. I

mean, right? I believe that the world is your canvas and you get to choose your own adventure. Why not make it a fun one?

Tren: For me, the two moments where I was most alive professionally was when I moved to another country to live, Korea. And I didn't know anybody, I had to start with nothing. And when I did the startup, because it's raw and you don't have anything that you can fall back on and you're on your own and you've got to do it. And I spent five years flying 500,000 miles a year. Yeah. Still paying the physical price for that. But the point here is that it was really living. It was totally raw. And I was afraid that people I cared about, my assistant and others, were going to lose their house if I screwed up. So I was terrified in a good way. Right? And I had to be brave. And going back to your idea about the quote you gave, the one I like is the Munger quote, which is, "If it's trite, it's right." And oftentimes, the insight is really core, but also sometimes, people don't internalize it. And I'll give you a great example.

Tren: So Craig McCaw is dyslexic and he's also a savant. He understands what consumers like about products. But early on, he was in the cable business. He built a really nice cable business. But early on, he had a telephone and he would use it. And he realized instinctively that what humans are is nomadic. They like to move around. Farms are not a natural thing for us. They're economically very efficient, but that's not what we like to do. We like to move. And we know it right now because we can't leave the damn garage, right? So humans are nomadic. And what Craig said is, "Wireless is amazing because you don't have to be in your damn office and you can wander around your office and you can do this."

Tren: Now, the opposite, the knuckleheads, that's a Craig McCaw word. The knuckleheads at McKinsey, were asked by AT&T, "What's the market for cellular phones?" They weren't called mobile phones. They were called cellular phones. And it was one of the worst things ever because McKinsey said, "Well, you would never use a mobile phone if you had a landline phone." It was idiotic, right? And people still think that way because they don't really understand that the value of wireless is being able to move. A private car, boat, in a plane, whatever. Wireless is magic. Now it's not like fiber because you can't send as much information and life is about trade-offs. And so anyway, that one insight is classic of Craig, which is, he understood it.

Tren: Now another time, another good story, 1994, he was finally selling the company to AT&T because the debt load was really big and some people on the team wanted to sell. So he sold it, but at one point, he's thinking about not selling it. And again, the knuckleheads from AT&T, this is the predecessor of the original ones, were there to buy it. And he was thinking about, "Well, maybe I'll still keep a stake or be a partner with them." And they said, "Okay, well, we're going to buy this mobile business to save long distance." Right?

Tren: And they said it multiple times. And he's got this big [inaudible 00:36:27], these guys want to save long distance with mobile? Don't they understand what mobile is? And you can't partner with an insane person, but they were so wedded to their existing long distance margins that they didn't understand. And so they actually bought the right asset for the wrong reason, but they still drove the airplane right into the side of a cliff

and SBC took them over. But understanding those simple things about value or built understanding, well, everybody's going to want a PC in their house. Ken Olsen, the DEC guy, brilliant guy, worshiped him. He just couldn't get the idea out of it that [inaudible 00:37:07] would want a computer in their house.

Tren: But anyway, all those ideas are simple, but powerful, and it's hard. And so all those things lead around to find ways to be brave in your life in lots of ways, with your art, with your writing, with sharing your experiences, with being a mentor. When you're first mentoring, "Well maybe I won't do a good job. Maybe I'll..." Be brave, go do it. Take the leap, because you will do good. And you'll maybe make some mistakes along the way, but you'll learn as much as you give.

Jim: So I completely agree and love the story about the people's inability to see what's right in front of their face. There's so many great stories about that. And it's kind of like Max Planck talking about progress in science and his quip that progress happens one funeral at a time. And so I'm really into studying quantum physics and things like that. And what I didn't know, and I was just reading about, which I found fascinating, was Einstein, the first quantum guys, all of that, the who's who of their field were very dismissive of these new ideas. And I also think it's applicable everywhere, right?

Jim: I love art. And a lot of people don't know that the term "impressionist" was meant to derive the artists. They were seen by the French Academy, as children who were finger painting. And they were so incredibly dismissive. And I love weaving these things together, right? Because I also think that we are very mimetic in nature. In other words, we copy other people, right? And so one of the things that I have seen, because I love history as well, is just things that didn't fit in the paradigm when that person was forming their views were ignored or dismissed or attacked. And so to me, the other thing I noticed about you that I just think is so important is your open mindedness. I think people are prematurely certain, they close their mind, they have diagnostic bias, they apply the wrong label, and then there's all confirmation bias, and the way to combat that is to be curious, and to be open-minded, and to be absolutely willing to understand, "I'm probably often wrong." Do you agree?

Tren: Yes, totally. But I would amplify that, because I know you're going to agree with this too, which is the more you know, the more you know that there's more you don't know, and the digger you deep. And so in 1995, it was actually late 1994, a guy named Michael Larson introduced me to [Girly and Mobson 00:16:24] and the same day he handed me a copy of Soros' book, Alchemy of Finance. And he said, "All this stuff you're talking about is similar to reflexivity." And of course that's a very ponderous book and it's not very well written, but it's got a couple of key ideas in it that were the germs of, "Well, I got to learn more about this, right?" And I know a fair amount about physics, but I hadn't really dug into the ideas of uncertainty and quantum physics. And you sort of started to say, "Oh, I better dig in."

Tren: And then you start to realize that the really smart people know that there's every day that goes by, they know more about what they don't know. And the good news is they know more than other people. The bad news is they actually know that there's more uncertainty. And so they get into this other window and you start to say, "Wow, things

are really uncertain." So let's tie that to investing, and investing then, as I started to realize there was more uncertainty, I started to say, "A barbell portfolio makes the most sense for me." And someone said to me, one time about a very rich billionaire. They said, "Well your first thing you do when you're a billionaire is you take \$100 million and buy T-bills, and you put that aside and you never do anything with it. And then your life is house money." Right?

Tren: And because it's the fun of playing the game and the fun of being able to make donations and do things like that, because you can be braver if you have a fallback position, just like for me, when I moved to Asia or when I was earlier in life, having a great family, my dad was a doctor. His dad was a judge. I had a great family to fall back on. I could be braver, right? And I feel bad for people who can't be brave. But one way to be brave is to have a bunch of T-bills sitting someplace. You'd be surprised how many risk-taking VCs have a big slug of T-bills sitting over there on the side. It allows you to do things that are more fun, brave learning experiences.

Jim: Risky.

Tren: Yeah. I think risk is a funny word. I believe in the Zach Houser thing, which is roulette is risk, and then there's uncertainty, which is you know the events, but you don't know the probability. And then there's ignorance, which is you don't even know the potential future states. And so you can't assign probability. And so for me, risk is roulette, and uncertainty, which is a word you used several times earlier, is the more normal case. Most of life is uncertain. I did walk once on cobblestone streets that I could find in Seattle with Nassim Taleb. And we spent three quarters of a day walking around the city. And we talked a lot about that, on that walk, that most of life is uncertain. It's not risky. Very few things in life are like roulette.

Jim: That's quite true. I like that distinction as well, because the other thing that I have found is that many people are terrified by uncertainty. But to me, it's the natural state of things, right? I often say we're deterministic thinkers, living in a probabilistic world, and hilarity ensues, because if you're honest, you understand that most things in life are uncertain.

Tren: But also as an investor, if there wasn't an uncertainty, if everything was risk, the house would always win. [crosstalk 00:44:09] There are no pro-roulette players, right? But because of uncertainty and ignorance, you can outperform the market. Now it's hard. As Munger says, "It's not supposed to be easy. If it was easy, everyone would be rich," right? But if there was only a risk involved, it wouldn't be fun. My children know, I am generally allergic to going into a casino. Just does not work for me.

Jim: Same with me.

Tren: I won't go. And they know that. Right? And for me though, I like playing in games that involve a lot of uncertainty, like investing and like business and just like living life. Right? And I know a guy who rode a bike over the Khyber Pass. Right? There's a lot of uncertainty in that. But the point is, he learned it. He did it. It was two years ago. But the

uncertainty is what makes life interesting. It creates life. And embrace it, but also try and find bets where your odds are favorable. I mean, that's the whole Munger thing. I don't mind [vol 00:45:18] as long as I have favorable odds. And that's, to me, it's a search for favorable odds, a place for your bets. I sit on my butt a lot in terms of, the last thing I'm worried about is trading fees. Right? That's not an issue for me. Right? I just don't trade enough. But when I do trade, I trade in volume, and then I sit on my butt some more and read and think, but for me also, the fun part is business, running a business like you do.

Tren: You run a real business and that impresses me. You created it. I mean, it must be marvelous. You go into work in the morning and, "Hey, this is my business." It's like a work of art. It's like that beautiful painting behind you that I was rudely making fun of before we [inaudible 00:46:11]. You created this business. It's art. Buffett talks about that. Every day I come in and I'm painting on this canvas. It's like, be brave, create, and what fun. It's just so great. It's like in '99 when I was at peak stupidity about some things, I went out and bought a Porsche 9 11. I always wanted one. Okay? Got a cabriolet. Nice. And that first week was fantastic. And then it's nonlinear, right? It's just a Porsche. And then you realize, it's just a car and that's not what defines you, and you start to look, as you get older, you start to look stupid. Young people are saying, "Look at that idiot." But things don't make you happy. Experiences make you happy. People make you happy.

Jim: 100% agree.

Tren: Yeah.

Jim: And that's the other thing. So I read a lot of Jed McKenna who we could get into, but it'd be a long conversation. He's kind of an enlightenment seeker, but I think he's a fictional character telling us that we're all fictional characters, but one of his lines that I love is, "The smartest thing I ever did was stop being smart," because when you think probabilistically, you always understand that there's a percentage of the time that you're going to be wrong. Right? And being okay with that, it's like batting averages, base rates, right? I'm a big believer in base rates because they kind of give me an indication, at least directionally, of what I can expect. Am I always going to be right? No, of course not. No one's always right. But I love your idea.

Jim: One's always right. But I love your idea of that's the right way to live life. I think, right? People get so caught up, I think. I've seen a lot of people. I've been very lucky, right? Because I've been able to meet some of the most fascinating people on the planet and I love it for the stories alone. But I've seen so many people who, the end objective... If you make money the end objective you're going to have a bad life, I think. And if you make having fun and living for stories and painting on the canvas the objective, you're going to have a great life. And many times you'll also do just fine as far as the money goes, but attachments, right? We are so attached to so many different things and like your realization with your Porsche, right?

Jim: You do come, I think if you're wise, to understand that those attachments are not the thing. And so many people focus on the thing and get attached to it. And it's like a

dream I had and I've had multiple times over my adult life, but I first had it when I was young. I was like in my late twenties and it was sort of sitting on a boat and with this beautiful vase and there was a woman sitting next to me and she was going on and on and on and on about this vase. And finally, I look at her and say, "It's yours. Take it."

Jim: And she's like, "No, I could never do that. It's way too valuable. I could never repay you."

Jim: "I don't want it to be repaid. You obviously like it more than me. Take it."

Jim: Anyway, she won't take it. So I pick the vase up, I crack it in half and throw it in the ocean. And it took me 30 years, I'm not so smart, it took me 30 years to understand the message of that dream. Right? Which is, it's not the thing. It's kind of the journey. And I see that so much in your life as I look at your life, which is fantastic. I'd also like to talk a little bit about, you messaged me on Twitter when we agreed to do this. And you said, "Hey, I think we ought to talk about how young people could maybe use a Charlie Munger style investing style applied to tech stocks." Talk about that.

Tren: So the key thing that Munger takes... Munger is not a huge fan of Warren's worshiping of Graham.

Jim: Of Graham. Right.

Tren: Yeah. And Munger believes looking out the front window and being qualitative instead of looking at the rear window and being quantitative.

Jim: Right.

Tren: But what you can learn from him is you can have a circle of competence in technology, but it changes so fast. You can't say, well, like I know a lot about cloud computing. I know a lot about mobile, but I don't know a lot about pharmaceuticals. Right? And the important thing to realize is, I don't know anything about pharmaceuticals, like stay away from it. Right? I don't know as much about devices in tech, so I stay away from devices. But the idea is in your career, in your life, you're going to dig into certain topics.

Tren: This is a Bill Gurley idea, pick an area like cloud native or something like that. Inside cloud-native there's areas that are there and get really, really, really smart about that thing. In fact, be the smartest person on earth, or at least believe you are. And when you have that depth, then you can start to see situations where the odds are heavily in your favor. And when the odds are heavily in your favor, like when you're playing poker, you bet big. And so you're looking for great hands. And so the Charlie Munger idea is applicable to young people in that he and Warren said once, and I can't find the quote, but they basically said, if they were young today, they might not even be investors. Right? But if they were investors, they would acquire a circle of competence in text.

Tren: So you can sort of dive into it. But then it's not just that, it's everything. It's like mountain biking or skiing or whatever it is, like find some things and go deep. Like the beauty of being way deep in a discipline is that it forces you to be disciplined and it

forces you to basically get on the edge of what's happening. And it may be that you know a ton about mountain biking and you know the right things to know. Shimano is a buyer or seller or whatever. But it's the idea of marrying your life experience, which is I'm going to understand this business, right? Or I'm a... Or you're like you probably know a ton about art, right? So if artsy came along would you invest or not? Well, you would be a better investor if you knew a lot about art and the way dealers work and the way prices work and the whole system, and you know the way people use taxes, there's all these things about art that you would have to know to know if artsy was a good idea, right?

Tren: And so finding areas where you can be the very best of the best in a circle of confidence is how you get a statistical edge. And once you have a statistical edge, you can actually outperform the average. When one of the things I loved about what you just said is, is base rates are so important. Like [inaudible 00:53:50] Melissa's work in base rates are amazing, is amazing. But what you realize is that applies to everything, base rights are gravity. Markets in life and everything is trying to pull everything down. And so you need to escape gravity. And the way you escape gravity is being better than everybody else. And finding things where you have favorable odds. And so you're trying to defy the gravity of base rates is when we did describe investing in life. Don't be ordinary, be brave, defy gravity.

Jim: I love that. I'm going to steal that. If you don't mind.

Tren: The whole thing is appealing. Stand on the shoulders of friends. You know one of the things that I also want to talk about is, is sometimes mentors are younger than you. And sometimes mentors are your friends. And sometimes mentors... I learn more from my classmates than I did from any professor. And so with your friends and whatever, think about life as the shopping center. I've learned things from you in this conversation. And I want to grab those things and I'm going to think about them for weeks, right? Suppose you've given all things like that. And I've say, "Wow, he's just got this great idea. And then I'm going to go search for more and learn more about it." "But you can be my mentor, Patrick. And I had a great conversation when we had our" ... Think like the best session that I thought about things we talked about there for years.

Jim: Yeah.

Tren: And the great thing about it is you're known as a person who thinks hard about things, then other people come to you and you learn from them. Like I was sitting, like I said, I'm working in my garage. And four people called me yesterday, like significant people.

Jim: Right.

Tren: And it was fun to talk to them. Cause they, like, "You think a lot about things, tell me what you think about this." But every conversation like that, I learned more than what I tell them. But then the more you do that. And so you get into this flywheel situation where the more you learn, the more people want to tell you things. And the more you learn which, it's when blah, blah, blah, blah. And you have to hand crank in the

beginning, like it's hard acquiring that initial expertise. So focus, find an area, be an expert, and then the things I tell people in my mentoring sessions are, you have to increase your network, you have to increase your personal brand. And for some people, not everyone, you have to increase your competence, your confidence so you can be brave. And some people have a confidence problem. Some people have a networking problem, only their boss and their mom knows they're great. You know? And so it's network brand and confidence. Most of my mentoring is around those three pillars.

Jim: And those are three of the most important things, obviously. I mean, what's what I find great about that though is I said obviously there. It's not obvious, right? And we get back to the Kessler quote, right? So many times, I'm doing the same as you. I'm mentoring younger people and I'm often really kind of amazed when I say something that I think is just painfully obvious and I feel almost like a jerk for saying it. And they're like, "Really?" And so it's like a lot in life, what was it Yogi Berra? Sometimes you could just see, sometimes you can see a lot just by looking. And I think that also extends to asking, right? Sometimes you can learn a tremendous amount just by continually saying, "Why? Why? Why?" It's annoying to a lot of people, but I love the flywheel analysis as well, because I had found exactly the same thing.

Jim: And like I was reading what you had been talking about advocating for most people, and this might've been Munger, but I'm attributing it to you. And it's something that I advocate that people are surprised that I advocate, which is if you don't... If you're not interested in investing, buy a low cost index fund and be done with it, right? And that's the majority of people, honestly. "But you're an active manager, you believe in this." And I'm like, "Yeah, right. I love that, but that's me." And I think you advocate the same thing, right? For... [crosstalk 00:58:21].

Jim: Yeah. So for most people, they don't get like whipped up like we do about this stuff. And it's kind of like... I often use, I like to use gifs on Twitter and I have an ulterior motive. But anyway, I like to do it cause it's fun. And people all of a sudden say, show, "Show a gif of your investment style." And I always show the dude from The Big Lebowski, sitting there doing nothing, right? And I think it might've been Buffet or Munger, but I love the quote, "Lethargy bordering on sloth."

Tren: Yes.

Jim: You agree?

Tren: Yeah. Let me tell you a funny story about something you just said. So cause maybe you can relate to this.

Jim: Okay.

Tren: There's some very important people. Some of them who are wealthy, some of them aren't. But oftentimes they'll say, "Well, Tren, I want you to spend some time with my child." And they'll be like 18, 19, or something like that. And so they'll fly to Seattle and we'll get together and we'll walk around the city and we'll have a conversation and I'll

have a conversation like we're having right now covering some of the same points about bravery and a network and a brand and all these things. And there are things that their dad or their mom has been telling them their whole lives, but I'm saying it. And they come back from that meeting and say, "Oh, Tren had all these and all these amazing things to say. And it was really a great conversation."

Tren: And I say to the parent, I say, "I learned that stuff from you," right? Or "You've been saying this to me for years," but there's this saying that "an expert is somebody from out of town," right? Is out of town, they've been reading my blog or whatever, they watch my Twitter. But the important thing is sometimes it's important to hear it from somebody who isn't related to your family. And so I'm happy to do that. And I've also realized that if I want my own children to learn, I should probably send them to somebody else. Now, occasionally you probably experienced this with Patrick. Occasionally, they surprise you and they've internalized, you see it out of their behavior, what they say. They've internalized some messages that you work very hard to deliver over the years.

Tren: So that it's like, it's surprising but rewarding at the same time. But the important thing is sometimes they have to hear it from somebody else for it to really sink in. So "Tren told me this," and I'm saying to the parent, like, "You've told me that like 50 times." You said to their kids, "I modeled it like a hundred times." But sometimes you just need to hear it from somebody else in a different way, in a different setting. And I'm not, it's like important. And so what you should do with your own kids is have them do a semester abroad and travel abroad and meet other people and don't think, "Well, they can just learn from me." They can learn the same things you've tried to teach him unsuccessfully for years traveling around New Zealand or wherever, Kenya. But having these life experiences is the best way to learn in my view.

Tren: My book on negotiations, mostly my life experiences, what I learned to negotiate in overseas settings by just doing it. There's no excuse for just reading about it in a book. You read about it in a book and then you do it and then you go read some more books and then you do it and then you do it and then you do it. And then you read and you read it and you read it and you read it and then you do it and you do it and you do it. And it all feeds back. And these things are all feedback loops and it's fun. It's fun to learn and what's better? And the other thing is, as you get a little older, like if you're not learning, your mind is going to cabbage. Right?

Jim: Yeah.

Tren: Like I can't see myself retiring ever really because your mind goes to cabbage and we've all seen what a cabbage mind looks like, and it ain't pretty.

Jim: It's not pretty at all. And I could not agree with you more, both about travel, something that I believe passionately in. You learn so much and you broaden your perspective and horizons so much by traveling as broadly as you can. I mean, I learned so much when I was in Bhutan, for example, about very different ways of looking at the world that I hadn't maybe considered. And same with places like Nepal and but then New Zealand, you mentioned. I love Kiwis. They're the nicest people on earth. And you can just, I think

Twain had a great quote about travel saying along the lines of it destroys prejudice. It broadens horizons. It's like the best possible thing you can do. The other thing, I love what you just said, which is you read about it. Sure. I read endlessly, right?

Jim: I love to read, but then do it. Right? So action without knowledge is foolish, knowledge without action is feudal. Right? And it just seems to me so self painfully aware. I mean, so obviously aware and yet it's like I was reviewing some notes. This is going to make me sound like a massive nerd, but of a Odysseus and the Lotus-eaters and the Lotus-eaters, for those who haven't read it, were these people who basically Odysseus had some true members go off onto this island and they meet the Lotus-eaters and they're just chill. Right? They don't care about anything.

Jim: And so some of his crew members started eating the lotuses and guess what? They stopped caring about things. And they're just chill and they don't want to do anything. And he takes them back to the ship and gets going. Right? And I've never understood the idea. Maybe it's a failing in me. I've never understood this idea of just wanting to not do anything, but maybe I'll try to learn more about that. I'm not going to learn that from you though, Tren. I don't think.

Tren: No. The idea is just keep moving. There's a Bourdain quote on this that I can't remember exactly. But just keep traveling, just keep moving, just keep doing things. But the brain is a complex system and it's interacting with itself. And if it's going to stay healthy... Like my goal is to be as sharp as Munger when I'm his age. Like that's like the top of the top and I want to do it. And the way to do that is to stay active and interested in people. And I'm as interested in life... I'm more interested in life than I've ever been. What a time to be involved in life. It's hard to imagine, but in '94 when Mauboussin was introduced to me by Michael Larson. There wasn't the internet. You had to go find books and go to the library and read papers that were paper.

Tren: You know, it was nuts. You know like what? You mean you couldn't just look stuff up? There wasn't... Like you can just grab eight, nine papers that you just discovered that day? It's like, no, it wasn't that way. But now it's such an amazing time where you can go and learn anything. And this sort of ties back to investing, which is there's so much information out there. But also there's... Investors, they're so much better, right? The competition is so much higher. And if you're good, if you really care, that's like, cool. It's not like... Munger said go to where the competition is dumb. You know? I think that's great, but it's really hard to find in today.

Jim: Yeah.

Tren: And so to me, I'm invigorated by I'm up against the really smartest people in the world. You know, let's go. You know, let's win. You know, if you're Messi you want to play against the best soccer players in the world because it's fun. And you go to play and lose at a high level, then do some dopey... We know we won by 20 kind of thing, like play with the best, do with the best. Investing is the best game on earth. But also with the way I do it, it's the same thing as business. I don't approach an investment any different than I approach any business problem. Capital allocation, I think about that for the company. I think about that in my daily business, it's like this [inaudible 01:07:39] am I

being a steward of capital? All these things that I'm looking at, like as Munger said, microeconomics is what we do.

Tren: Every day you're thinking about these things. And I think about my job the same way I think about investing. It's just one company versus another. Now, because things are so complex, how many companies can one person really know? Like what's theoretically possible? Let's say you pick Costco, Nike, Microsoft, Google, what's another company, Boost, something of some strange area. I tend not to invest in the boring companies, but let's say you picked like those, it's a lot of work. If you really want to beat pros who are analyzing them all day long, you're going to have to dig in. Now, some people like our friend Besure, decide to go off in other markets where there's not a lot of information, there's more inefficiency and you can clean up. And I remember when I met with him when he came to Seattle in a nice meeting and a little Berkshire in those markets is like, that's a great idea.

Tren: You know? I mean, it's fantastic. And he learns a ton and he's like in a happy hunting ground. Like there's lots of fish, Charlie Munger would say, right?

Jim: Yep. Yep.

Tren: But also if you're investing like in the big public markets with well-known companies, you're up against the best and it's hard and you better be on your game. So then the question is, how many companies can you follow? So ten's a lot. Six is probably better. And then the other thing is, sometimes in order to extend your competence, you have to get in somebody else's sidecar. You have somebody you know and you trust and you know that they're on top of this company and you can say, "Okay, well, if he's investing or she's investing in this thing, I'm going to get in that sidecar too." Not as heavily as somebody else, but again, there's this existential question, which is [inaudible 01:09:49] how many companies can you follow?

Jim: Right.

Tren: And beat the level of expertise that exist today.

Jim: Right. It's hard. Very. And we love Brent. We actually raised his first fund for him and our investors with him. And one of the things I love about Brent is in addition to being a super smart guy, he's a super humble guy, but also he's... It's like the old Sam Kinison joke about people who were in a desert and starving and "go to where the food is." And Brent very much impressed me with his... the scarcity down here. There's like, as you put it, there's a lot of fish.

Tren: Yeah.

Jim: And so I'm fascinated by that type of investing too where there's an asymmetry to the information. It's one of the reasons I love microcap. Now I'm a quant, which I know that you don't like, but...

Tren: That's not true.

Jim: Yeah. Well, okay. I...

Tren: That's not true. What I say is, for me, I'm not mathematically inclined. So I wrote this essay about Clint. It's like, I totally respect what quants do, but it's just not me.

Jim: Right. And by the way, I could not agree with you more. I always say to people, there are a lot of paths towards the promised land. You've got to find a process that is right for you. Right? And I'm just happy you said that because it's absolutely correct.

Tren: And even though like Rentech, so like I'd walked like 15 miles to get a hundred thousand dollars into Rentech. I give them a million if I could, the point here is, is that you're not going to let me in. I'd like to get money in Sequoia too. They're not going to let me in.

Jim: Yes. I love that attitude.

Tren: Okay. Okay. Well then what can you do?

Jim: Yeah.

Tren: It's like, yeah, I'd like to be in Rentech, but what they've realized is their sort of thing is... Forget what it is. 450 million or something...

Tren: Their thing is... forget what it is, 450 million or something that is in the fund that the employees now have basically taken private. It's like, "I'd love to be in there." I'd like David Tepper. So I'd write him a check [crosstalk 01:12:11] or he might cash it and just not [crosstalk 01:12:16] buy a bigger phone or something, but the [crosstalk 01:12:20].

Jim: Alright.

Tren: It's... this is this Munger =idea of, you got to marry the best person that'll have you.

Jim: Right.

Tren: Right? I mean, you... when I make an investment, people say, "Well, would you invest in X?" And I say, "No." I said, "Oh, well the way I... I don't think about it that way, I think of all the companies in the world is X the one?"

Jim: Right.

Tren: "The very best one that I would invest in?"

Jim: Yes.

Tren: "Well, but yeah... somebody, ADM, whatever the company is, they're a great company."

Tren: "Okay. Are they the greatest company of all companies that you could put this 100,000 dollars into, of all the companies in the world? Is that the one?"

Tren: "Well, yeah, but it's a good company."

Tren: "Okay. But why would you invest in your second best idea? But what's your [crosstalk 01:13:09] get serious! What are you thinking?"

Tren: Yeah. I love-

Tren: There's asset allocation, diversification and all that, but sure. No, I'm looking for favorable odds and I'm very comfortable with [VOL 01:13:22] but [inaudible 01:13:23] we get a chance to clear this up as... there's... I have nothing against quants. I actually... if I could be smart as Jim Simmons, I'm down.

Jim: Right. I wish I could be.

Tren: [crosstalk 01:13:38] is you. But what I love is the stuff that the probability is not there. That we're talking about uncertainty and ignorance.

Jim: Yep.

Tren: And that's where I can make hay. But also just for me, it's... I'm a pig in slop.

Tren: I want to know all the stuff that's hard to know because that's what [inaudible 00:01:59].

Jim: Yeah.

Tren: It's just like, "Well, who's got the best math skills?" There are other people who are going to whoop me. Right? So that shit is not my game, but I want to clear this up. Totally, totally. The quantum world is a world that I admire. It's just... I mean, the other thing is, my mom passed.

Jim: I'm sorry.

Tren: Yeah. My mom should not have been doing her own quant fund or investigating [crosstalk 01:14:32] quant basis. But my dad's a doctor. He's a smart guy, he knows a lot of physics and all that. You shouldn't be buying quant, doing quant analysis either. If you don't quite have the programs and the computing power that you have access, and they haven't devoted their whole lives to it.

Tren: And so with me... but with Graham... Graham had a lot of good things. Looking back, it was not one of them, but one of the things he said was, "I want to come up with a system."

Jim: Yeah.

Tren: "Where the ordinary person could do it."

Jim: Yep.

Tren: And the Munger system, the ordinary person can do it. Now, the important thing is the ordinary person shouldn't do it. They shouldn't be buying an index fund.

Jim: Right.

Tren: [inaudible 01:15:11] it unclear what he thinks, but three to five percent of the people can do it. Right?

Jim: Yep.

Tren: But then the question of... they have the capability of doing it. But then the question of, do you want to do it or do you want to pull [inaudible 01:15:24] off? Right?

Jim: Right.

Tren: And it's a lot of... unless you just love it, buy an index fund. Be happy. You know, [crosstalk 01:15:32] survive, no, you should... you got to still make choices, you got a new asset allocation.

Tren: You got to... you still... everybody has to make choices.

Jim: Yep.

Tren: Nothing [inaudible 01:15:40] would be passive. But the important thing is, find out what you love to do and then do it, but also understand your own limitations and follow your passions. If you're passionate about business, the Munger style's really good. If you're passionate about numbers and liked to do math and software and all that, be a quant.

Jim: Yep.

Tren: Some people do this charting stuff, which to me seems like chicken entrails, but if they're happy doing it, that's great, but you better be writing down your results because I bet you're not doing very well.

Jim: That is quite true, and so refreshing. I love it because it's... I feel exactly the same way. One of the things that we're doing at OSAM is we're actually launching something that I wanted to do forever, and Patrick achieved. So proud of him. We're launching a venture capital fund called Positive Sum. And as we learn... so we've been doing private investments for the last 12 years through O'Shaughnessy Family Partners, our family office, because we thought it was something we should know something about, right?

Jim: And so there, some of the quantum principles helped, but for the most part, they're not useful because it's a whole different way of... I mean, there is no data. But I love it,

right? Because it's learning about new things and new ways of looking at things, and I love your idea about, "Hey man, just be happy." Life... if you just understand that, you're going to have such a better life than so many people. And it just should not be so hard. So I absolutely love hearing you say that,

Tren: But the... I would say though, that your quantitative side of you...

Jim: Yeah.

Tren: Will help you understand optionality much better and understand fat tails and understand power, logic, distributions, and understand [inaudible 01:17:46] venture works. If you don't understand that you're going to have a power law distribution of returns, that when you start out, you're not going to know who winners are, you're going to have a hunch and it's probably going to be wrong.

Jim: Yep.

Tren: If you invest in 30, you might think, "Well, these are the five golden ones. And one of the golden ones is the one that returns 10 X your fund." And so... but if you're not thinking that way, then you're not in venture. Then... a lot of people think they're in venture, but really they're just providers of small business capital. And they tend to underperform because they don't have an outperformer.

Tren: And one of the things that I've written about and talked about is that you got to fish where the fish are. One of the places where the fish are, is in the grand slam home runs. But in order to get a grand slam home runs, you basically have to discover them. In order to discover them, you've got to strike out a lot.

Jim: Yep.

Tren: And you got to be comfortable with striking out a lot. And it's difficult because there's chaos, you got 30 companies and 10 of them are going under and the founder's calling you and saying, "I need help. I need help. I'm going under." The emotional ability to help them through that, the emotional ability to deal with that and stay positive, isn't a skill that everyone necessarily has. Sounds glamorous, like, "Oh, I want to be a VC." Okay. Well, really? Do you know what it's like?

Tren: Do you know what it's like to have founder on the other end of the phone saying, "We're going down. I'm losing to my house. Blah." There's a goodness though, to VC, in that you're hedged and that you have those 30 investments. The other thing that you learn a lot about is, in terms of founding a company, is if you've ever done it, it's... a founder's not hedged. They got everything in this thing. They're going to devote five to 10 years of their life to this thing, and you made it go down in three years or whatever. But the point here is that you have no statistical edge. You should be terrified at night, having night sweats because it's all on you and you're in a business where two out of... three out of a 30 with a good firm or a great firm, VC it's not going to be that way. Now, the good news is founders, missionary founders, are naturally overconfident. And as

Munger says, "Never underestimate a person who overestimates themselves." Because occasionally they hit it out of the park.

Jim: Right.

Tren: Backing his quotation, right?

Jim: Yep.

Tren: And he was actually referring to Elon Musk in that thing but... in that statement, but the point here is that you have to be willing to endure that as a founder. Even as an investor, you have to understand that some of your companies are going to fail and it's going to be horrible to watch.

Jim: Yeah.

Tren: But that's the way innovation happens. If nobody's out there, it's like the whalers in the old days of venture capital. The whalers would go out, and a lot of ships wouldn't come back. In Venice, a lot of ships go out and they wouldn't come back. Ones came back, paid for the ones that didn't. But the important thing is-

Jim: That's where the term carried interest comes from, isn't it?

Tren: Exactly. That's what carried comes from, when you can actually carry it. But the key thing is, you got to find out whether you're suited for it. In order to find out whether you're suited for it is to do it, which is one of the things that I wanted to discuss... point you made earlier, which is, the way to learn how to invest, is to invest. The earlier you do it, the better. Buffett bought his first stock when he was nine or 11 or some such number, but you can't do it unless you do it. And then when you start out, you're going to fall down, right? Munger talks about the fact that, "I can't believe we did this [inaudible 01:21:31] and we were that stupid when we were younger." The difference today, of course, is that the game is harder.

Jim: Yeah.

Tren: They both say that. The game is harder.

Tren: So you have to... if they were as stupid as they were then, now, they'd have gotten crushed.

Jim: Yep.

Tren: It was easier to be stupid in inefficient markets after the depression.

Jim: Oh, absolutely.

Tren: Yeah. And now [crosstalk 01:21:52].

Tren: Yeah, now it's hard.

Tren: The base rate... [inaudible 01:21:57] book just tells the story, right? Returns drop to opportunity cost to capital faster than ever. Gravity's more powerful than ever, to in order to defy gravity, you better be damn smart and you better only bet on those situations where you have a circle of confidence and a chance to really smack it, super out of the park home run.

Jim: Yep. I think you're also right about... yeah. I hadn't actually put it in those terms, so thank you. In approaching the venture world, we are in fact guided by a lot of the principles that we learned, often the hard way, through our quantitative investing. The whole idea about power laws, the whole idea about... you have to be comfortable with things failing because... and I'm lucky in that I've started four different companies. And I know, you... when you do it, you learn a hell of a lot, and sometimes those lessons are painful. Before we started our conversation, Jamie and I were chatting, and Jamie is working on some of the commentaries that we do every quarter. And I was joking that I hated doing that, and I did it. And I said, "You know, if you start a company, ultimately you will do every function of that company at some point." One day our trader was sick and we had to trade a mutual fund, and so there I was with another guy with Excel, trading a mutual fund. And that's how you learn things. And so I think your advice is just stellar.

Tren: One of the things about starting a business is, in the beginning, you're doing everything. And as you get older as a business, as you get more expertise and it builds up... but the key thing is eventually you become... now you're big, you think about this way at your level, which is eventually you become an editor.

Jim: Yes.

Tren: And if you're trying to do things yourself, you won't scale. And so you have to let other people do the work, and all you're doing is editing and directing. And then someday when you're at the ultimate level, when you're a director of a company, when you're not even a manager, all you're doing is asking good questions. And occasionally the company is going off the rails and you got to do more than that.

Jim: Right.

Tren: But the usual situation is, you just want to guide the managers with good questions, like, "Have you thought about this? Have you thought about that? Have you thought about this?" That's what a good director does.

Jim: Yep.

Tren: But you start in the beginning, you're the accountant and you're the manager and you're creating the product and you're doing marketing and you have a sales, but then it goes up, but then you become this editor person.

Jim: Yeah.

Tren: That's a mature thing that some people get better at. The number of people like Steve and Bill in the computer industry, who went all the way from founders to master CEOs, not that many. They're very different skills and at a greatness level. You know what I'm saying?

Jim: Sure.

Tren: And you're at that level.

Jim: Hardly.

Tren: [crosstalk 01:25:11] powerful chairman master of the universe.

Jim: Will you come talk to my wife for me?

Tren: Yes, [crosstalk 01:25:21]. Remember, I'm the expert from out of town. Tren thinks I'm really great, [inaudible 00:13:26].

Jim: If you are in Greenwich, you'd be a great-

Tren: [crosstalk 01:25:28] of being in Seattle. Walking around the city you'll tell you all these [crosstalk 01:25:31] and it'll be all the same things you've been saying for years. She'll say, "Oh, he's... wow. He's so smart [crosstalk 01:25:38]" and I'll say, "I learned this stuff from Jim."

Jim: Well, I'll be your expert from out of town, then, too.

Tren: [crosstalk 00:13:44].

Jim: This is great. This is absolutely... this has been so much fun. It's been more fun than I thought it was going to be. I also just want to emphasize... you made a really important point a moment ago that I want to emphasize. You've got to evolve or you won't scale. And if you think it needs to be done by you, you're doing it wrong, I think. I think you need to find super smart people, people who are smarter than you are and let them do it, right? You need to learn to delegate those things and edit. I like your term, editor. That's a better term, if you want to scale. If you don't, fine. Run your little business and be happy. But I love the idea of phrasing it like an editor, as opposed to a delegator.

Tren: We always... Patrick is of course the master. He is... I am an attendant Lord compared to his emperor podcasts. But... so he always asks what's the kindest thing, I think, is what he asks. And so we thought, let's have a little more fun and say... so, Tren, we may... for one day, you are emperor of the world, but you got to be a good... you can't be an evil emperor. So you can't do anything evil, but you get to promulgate two rules, laws, ideas, whatever, that people are going to be like, "Wow, okay, I'm going to do that."

Jim: What you got for us? Which two things would you decree if you could?

Tren: Well, I like the idea of everybody should have a broad liberal arts education. I'm a huge fan of Robert Hagstrom's book 'Investing the Last Liberal Art'.

Jim: Yeah.

Tren: But I just think, in order to be a citizen and a productive person and a happy person, you basically have to understand broadly how things work. You don't have to understand every physics model or whatever, but you have to understand some, some basic things and should understand some things about literature and history and art and everything.

Jim: Yeah.

Tren: And so I just think that everybody should have the obligation and also the ability to broaden themselves and know a lot of things at a base level, at this Munger level that he described. And then the other thing is... I'm going to be specific here. I think the world has changed and healthcare has to be a basic right. It just can't be something associated with where you work.

Jim: Mm.

Tren: It just isn't scaling. It isn't working. And so that's... the last thing was more whimsical, this one's more serious.

Jim: Mm-hmm (affirmative).

Tren: Which is, you just can't have people not be able to get insulin. You just can't have people in these situations today. And I'm a capitalist, dyed in the wool capitalist, but I just think that the world has changed as we've all seen in ways which mean that we have to have a different healthcare system than we have right now.

Jim: Yeah. [crosstalk 01:29:34] Yeah. Those are great. Those are two great ones, Tren. I'm a dyed in the wool capitalist as well, but I've changed my mind for example, on guaranteed basic income because the world has changed so much. We... and it's like your idea on healthcare. They're not scaling and as good capitalists, it's up to us to try to find models that scale. So I think... and by the way, I don't think your first one is whimsical at all. I absolutely and passionately believe in a classical education.

Tren: No, I just... giving it to everyone... that opportunity to everyone.

Jim: Yeah.

Tren: Is whimsical in that... there's some people that are just going to say, "I just want to work on my Corvette."

Jim: Yeah. No, you're right. Yeah.

Tren: "I don't want to read the Odyssey." I just wish everyone could have a broad liberal arts education because they will be better citizens, better voters, better human beings, better husbands, better parents, better friends. If you are a better person, if you understand broadly what's happening in the world and the basics of the basic.

Jim: I completely agree. Well Tren, this has been a huge amount of fun for me. Thank you so much for all of your wisdom and for joining us, and for your two great ideas. Wow. And that's all I can say. Really, really, enjoyed it.

Tren: You haven't really talked much about investing other than indirectly, but I think all of this stuff is core to investing, which is-

Jim: Absolutely.

Tren: Which is, you have to understand many things to understand the one thing well, because everything is interconnected. It's not just a single thing you need to understand, and so being broad and being curious, being passionate and having fun, I can just see it on your face. The fun we've been having today, this is... I've learned a ton. And this is karma for me again.

Jim: It's karma for both of us.

Tren: Yeah. To me, I'm just delighted with this conversation and I want you to have a fantastic day, go get them.

Jim: I will. And you do too, Tren.

Tren: Right.

Jim: Let's do it again. Thank you so much.

Tren: All right.

Jim: Cheers.