DORSEY ASSET MANAGEMENT

Ten Lessons from Ten Years

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Introduction

Pat Dorsey, CFA

- Founder, Dorsey Asset Management
- Former Director of Equity Research at Morningstar

Dorsey Asset Management

- Launched in 2014
- Concentrated (10-15 positions) global equity strategy
- ~$1.35b* AUM, focused on owning competitively-advantaged businesses with runways for growth, managed by strong capital allocators

*AUM as of 9/1/25

Disclaimer

Every manager has their own journey.

These lessons are based on *my* experience.

Your mileage may vary.

Launch!

- It's easier to sell something that actually exists.
- Signaling value: If you don't have the confidence to take a leap with your own capital, why should potential clients?
- You can't succeed without committing: do the homework, lay the foundation, then launch.

Have a Vision

- Who do you want to be when you grow up?
- What does "success" mean to you?
- Are you building an organization or a lifestyle?
- No wrong answers here, but it's easier to sell a vision if you know what it is.

Choose Clients Wisely

- Don’t try to be all things to all people.
  - It <u>sometimes</u> wins clients, but it <u>always</u> bites you.
  - Only promise what you can deliver.
- Try to find <u>partners</u> rather than <u>customers</u>.
  - Are you rowing together in the same boat, or are you being hired to captain someone else’s boat?
  - Good clients understand that their role is to support, not to second-guess.

Keep It Simple

- This business is hard enough.
- Complexity absorbs time and energy.
  - Investment vehicles, deal structures, activism
- Customize sparingly, if at all.
  - The bespoke slope is very slippery.
- Corollary: Invest for results, not for show.
  - Good returns from easy and obvious > mediocre returns from hard and obscure.
  - There are no difficulty scores in investing.

Get the Ops Right

- Do not skimp on operations.
- If you outsource, do your homework.
  - Talk to contacts. Get references.
  - Understand how the solution scales and what the migration path will be.
- Trade money for time.
  - Your early track record is critical. Don't jeopardize it by spending time on ops if $$ solves the problem.

Listen to Willie Sutton

- *Q: Why do you rob banks?*
- *A: Because that's where the money is.*

- It's easy (and fun) to hang out with other managers. It's much harder to network your way into conversations with allocators.
  - Which one will write you a check?

Be Transparent

- Candor creates trust.
- Be willing to share letters, memos, etc.
  - Good letters help → more on positions, less macro
- Discuss mistakes thoughtfully.
- Be proactive with bad news.
- Most managers try to appear perfect.
  - Smart investors know they’re not and will learn a lot from how they handle mistakes.

Balance Confidence & Humility

- Confidence in yourself is critical, but it quickly becomes hubris without humility.
- Externally: Sufficient confidence that investors believe in you, along with enough humility that they trust you.
- Internally: Sufficient confidence to trust your own decisions, and enough humility to know when you may be wrong.

Be Yourself

- Everyone will have an opinion about how you should invest and run your firm.
  - Success inflates egos and amplifies hubris.
  - It doesn't guarantee good advice.
- Your opinion is the only one that matters, because you have to live with the decisions.
- Listen, learn, reflect…and do what <u>you</u> think is right and what <u>you</u> are comfortable with.

Be Grateful

- Our profession is mentally challenging, physically comfortable, and well-compensated. Very few people are so lucky.
- Show your gratitude by giving back to the world and to your peers.
- Our industry has an unfortunate – but probably deserved – reputation for greed. Lean the other way.

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Thank You

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