

Bill Ackman Notes:

This document is just an agglomeration of notes I took from Bill Ackman's visit. Just nuggets of information.

- One of his first deals was the Rockefeller Center
 - Look at the prospectus
 - Bidding war between Goldman, Leucadia, and Ackman's fund
- Be confident when you are right when everyone else thinks you are wrong
 - But be humble enough to realize that you are wrong when the facts don't match your thesis
- You have not made enough mistakes yet
 - Most successful people have almost lost everything in life
- The key thing in life is compounding
 - This does not only apply to investing but also to habits like being healthier or going to the gym
- Started a fund out of college
 - Started an investment firm with no experience
 - Everyone told him it was a bad idea
 - Listen to everyone, but make your own decisions
- Best way to find out if you have a good investment:
 - Find out who is short whatever you are long
 - Talk to them to explain why they are short, and if you still have conviction then you have a good investment
- Mental and physical health are very important
 - What doesn't kill you makes you stronger
- Go work for people you really like and respect
 - Take who you work with very importantly

- Your net worth does not change as you go through life
 - Bill Ackman sees his net worth to be the same when he started with a \$7m
 - He sees his life as the discounted PV of future cash flows he will make

- Most successful people and the happiest people are the ones doing what they enjoy
 - Meaningful percentage of the world does not go the extra mile
 - When you are working somewhere like an internship make sure you are the first one there and last one to leave

- You learn a lot by reading
 - Read textbooks, articles, everything about business

- When it comes to personal decisions, think carefully about the things you can't change as easily
 - Which sweater you wear today doesn't matter, but the person you marry not so easy to change
 - Find someone who is fundamentally a good person
 - Be super compatible and have a lot in common
 - This approach also applies to hiring people for Pershing Square

- Outlive: The Science and Art of Longevity
 - Minimize pharmaceuticals
 - Be in great shape, be an athlete

- Chaos Kings
 - A book which covers Bill Ackman and his trades in great detail

- How do you find good investment opportunities?
 - Have a strategy that makes sense
 - Good analytical skills/judgement
 - Understand management and their driving incentives

- Stock is down 30%
 - Natural human behavior is to leave the sinking ship
 - But you need to have temperament to withstand volatility

- Investing is running in the other direction as the majority and the crowd
 - It is different to instinctual reactions

- You should start investing when you are not under a lot of financial pressure
 - Getting yourself to that place
 - Shouldn't be that making an investment to pay this month's rent

- Bill believed he would be super successful
 - Optimism is really important
 - To take a risk you have to believe that the risk will pay out
 - Grounded and well-founded optimism, not irrational optimism
 - Do everything to make yourself successful
 - Optimism pays off

- Bill has always had unofficial mentors like Warren Buffett
 - Find mentors that you respect and that you can learn from

- Most efficient way to consume information is to read
 - Infinite amount of information especially in today's world

- X/Twitter
 - Lots of smart people
 - Followed a lot of people on epidemiology before the pandemic
 - Investing community, more reading

- Most successful people have an obligation to help the next generation

- When Buffett came to Harvard he posed the following prompt to Ackman's class:
 - Think about the people in your class. Who do you respect and admire the most? What qualities in them do you appreciate?
 - All of those qualities you can have tomorrow onwards
 - Possible if you can deliver on what you commit to

- Don't always go against the current
 - The current can be right sometimes

- General growth
 - A company Ackman bought in bankruptcy, as delivered 20%+ IRR
 - A lot of work had to be done

- Things get really cheap and everyone thinks its bad

- Virtual Business will not be good
 - Ackman is short WFH metaphorically

- Hard to make comments on real estate generally
 - One Vanderbilt vs Gray building
 - Both are equidistant from GCT and land is also probably of equal value
 - But one commands \$500/sqft and the other \$70/sqft

- Ackman sees securities like code
 - 2011, invested in the first SPAC
 - He liked the idea but hated the structure
 - Took Burger King public in 2012 via SPAC

- Pershing Square Tontine Holdings
 - Ackman launches his own SPAC in May of 2020
 - In traditional IPO you pay the underwriter 5.5% fees in underwriting fees and same in SPAC

- SPACs are a recipe for disaster
 - Everyone is bribed
 - Founder's stock
 - Give shareholder's dilutive warrants
 - SPAC sponsors get free equity
 - Friction filled structure

- PSTH different
 - Go for scale, Pershing Square committed \$1bn in capital
 - Cap the underwriting fees at 2%
 - No founder's stock

- Still warrants
- Picked investor's selectively
- A who's who list of investors

- Always stick by your word
 - Even though SEC declined PSTH's acquisition of UMG because of a complicated structure
 - Pershing Square bought stake in UMG instead of PSTH
 - Stock up 40% since then, best performing SPAC

- SPARC
 - Ticket to the party
 - Everyone who held PSTH once wound down were returned money + given SPARC
 - Take no one's money
 - Give everyone rights
 - 0 underwriting fees
 - 10 year period since not holding anyone's money
 - No dilutive securities, no warrants
 - Exercise price of \$10, can accordingly increase the exercise price to raise more money
 - Why will people exercise their rights?
 - Pershing square will find a good deal and will also put their money into the company
 - Anything is possible in the securities world

- Ackman is not a thematic investor
 - But he sees interesting sectors:
 - Energy, everyone will need more electricity
 - Logistics

- How do you judge people's aptitude?
 - How someone is
 - Ask someone to start talking about their life shortly after birth
 - Develop a spidey sense
 - Recommends reading the Gift of Fear
 - One learns a lot by talking to people

- First Book
 - Intelligent Investor, Benjamin Graham
 - Then read the Buffett Letters

- Buffett is a great teacher
 - Buffet's migration from cigar butt's to high-quality businesses
 - Quality means:
 - Defensibility
 - Risk of disruption?
 - What competitor could put you out of business?
 - The business is the castle and you need a wide moat

- Buy high-quality businesses and hold them forever until they get stupidly expensive
 - Price matters less in the long term, but in the short term matters much more

- Many businesses you can't model, no hard framework
 - You need to be able to predict with a very high degree of certainty what outcomes will be

- Pershing Square is a very concentrated portfolio
 - Only hold 8 stocks in a \$19 billion fund

- Owns Fannie Mae and Freddie Mac
 - Temperament, not letting your emotions get the best of you
 - Government expropriated profits

- Key to making a fortune is persistence
 - Longevity is key

- Matters who you hang out with
 - You will become the average of the five people you spend the most time with

- CFA is useless
 - Probably need it for banking, but you don't need it to run a fund
 - Best investors don't have a CFA or any accreditation

- Finding your passion

- Every business is interesting
 - You just have to go in deep

- When you make a mistake, how to deal with failure?
 - Knowing in advance that you will fail
 - Everything bad will come, but with perseverance the good will also emerge

- Managing your time is important, an important skill to learn while you are still young
 - When you have money you can outsource a lot of things

- Time is a very scarce asset
 - Enjoy every day

