Bocconi Students Investment Arena Newsletter: November 2023

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ABOUT US:

Bocconi Students Investment Arena was born in 2022 from the idea of bringing together students of different degrees and experience, but all with the same ardent passion for finance. Through dedicated competitions, masterclasses, and a members' forum, we aim to develop a community of students that fosters quantitative and qualitative skills like in-depth practical investments and valuation skills, teambuilding, and analytical skills.

The uniqueness of this association is that members would be able to put their investment knowledge into practice by competing against each other in two main events: portfolio competition and company valuation competition.

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Alibaba's Strategic Reversal Amidst US-China Tech Clash

By Filippo Rambaldi

The diplomatic clashes between the United States and China over technological dominance have triggered one of the most surprising corporate strategy reversals ever witnessed: on Thursday, November 16, the Chinese big tech giant Alibaba withdrew its plans to spin off and go public with its $11 billion cloud business branch. The newly elected president, Joseph Tsai, and CEO Eddie Wu stated that the escalating restrictions by the United States on chip sales to China compelled the company to reconsider its plans.

The Chip Battle Between the USA and China

In October, the U.S. Department of Commerce announced new restrictions on the sale of chips used in the production of AI-based devices to China. In an official statement, the federal government explained that this measure aims to "address the gaps identified after the imposition of the first round of export restrictions on chips to China last year." The Bureau of Industry and Security of the Department specifically referred to the provision that Washington had imposed, prohibiting the sale of the Nvidia H100 chip to China—an essential component for many AI specialists in the United States, including those at OpenAi.

Instead, Chinese companies could purchase previous versions, namely the H800 and A800. The new restrictions, effective from November 16, will also prohibit the sale of these chips, as explained by officials from the department. These measures may also include chips produced by Intel and Amd.

Secretary of Commerce Gina M. Raimondo explains, "With the implementation of these restrictions, we will continue to work to protect our national security by limiting access to critical technologies, enforcing our rules, and minimizing any unwanted impact on trade flows." Following the news, Nvidia experienced a sharp decline on Wall Street, losing 4.6% and ranking among the worst-performing stocks on the S&P 500. However, as mentioned, the new regulations could also impact the exports of Intel and Amd, whose stocks have lost 1.4% and 1.2%, respectively.

Alibaba: Halting the Plan to Divide into Six Companies

President Joseph Tsai and CEO Eddie Wu, both longstanding confidants of Alibaba's founder Jack Ma, have declared that the Chinese e-commerce and internet technology giant needs a strategic "reset." In his initial public statements since assuming leadership, Wu explained that escalating restrictions from the United States on chip sales to China compelled Alibaba to reconsider its original plan to divide Jack Ma's empire into six separate entities. Additionally, Alibaba has announced the temporary suspension of the stock market listing for its renowned grocery business, Freshippo.

The Stock Market Plunge: Loss of $22 Billion

The stock market swiftly responded to Alibaba's reversal, with shares plummeting by 10% in Hong Kong, erasing over $22 billion in market value. This decision comes at a critical juncture for Alibaba. The company is navigating the aftermath of the Covid-19 pandemic and grappling

with challenges in the Chinese technology sector. Alibaba is also striving to regain merchants and buyers who have turned to competitors like PDD and emerging players like Douyin, in addition to corporate clients shifting towards Chinese government-backed cloud services.

The restrictions imposed by the Biden administration on the export of specific chips, crucial for Alibaba's AI-driven cloud services, are further complicating the situation. "The circumstances have changed," stated Tsai during a post-earnings call with analysts. The company now needs to focus on securing funds for investments because, in a world driven by artificial intelligence, developing a comprehensive business based on a highly interconnected and scalable infrastructure requires substantial financial commitments.

Alert Also Issued by Tencent

The Chinese e-commerce leader joins forces with the social media giant Tencent in publicly addressing the challenges posed by US trade restrictions. The Biden administration's efforts to prevent the Chinese government from acquiring cutting-edge chips for military applications have begun to impact the country's private sector in unexpected ways. Analysts suggest that additional factors may have contributed to Alibaba's turnaround. Its cloud business has faced years of slowing growth and market share loss, drawing government scrutiny for alleged security violations.

Li Chengdong, head of the Beijing-based tech think tank Haitun, asserts that the optimal time for Alibaba to seek a public listing for its cloud division "has already passed." Even before Thursday's announcement, Alibaba encountered obstacles. The potential Hong Kong IPO of Freshippo faced challenges due to weak sentiment for consumer stocks. Former CEO Daniel Zhang resigned a few months after taking charge of the cloud division. While the logistics division, Cainiao, applied for an IPO in Hong Kong at the end of September, the resulting valuation remains unclear.

Conclusions

Alibaba's surprising decision to withdraw the plans for the spin-off of its cloud business highlights the global challenges associated with tensions between the United States and China. US restrictions on chip sales have indeed forced Alibaba into a drastic reconsideration of its corporate strategy, emphasizing the need for a strategic "reset." The stock plummet and the loss of market value, equivalent to over $22 billion, demonstrate the immediate impact on investor confidence. While the geopolitical landscape and challenges in the Chinese technology sector persist, Alibaba strives to navigate through a complex period, highlighting the interconnectedness between politics, technology, and global financial markets.

Search Funds: the new entrepreneurial finance

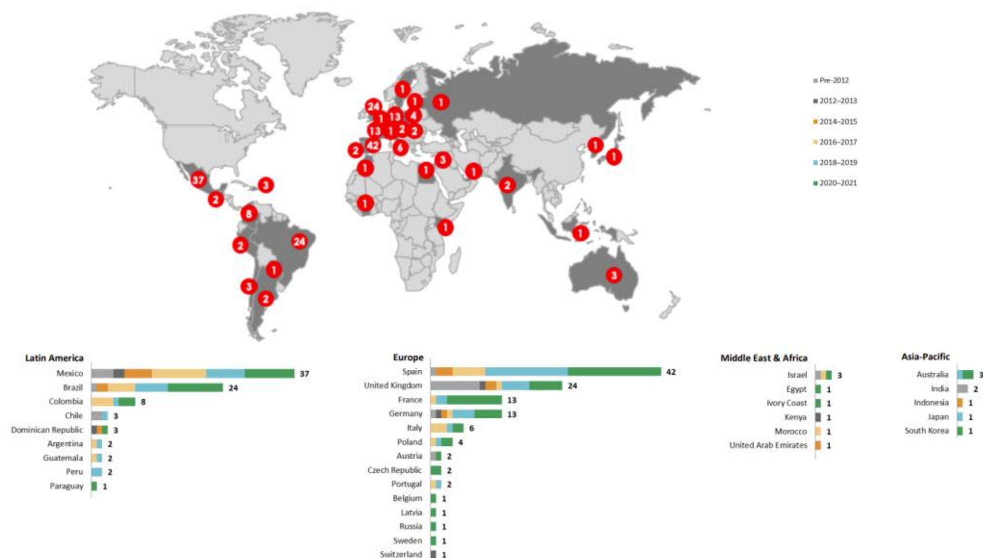
By Matteo Sacchetti

In Italy, as of November 2023, there are 148,531 companies that fall under the SME requirements defined by the European Commission. Of these, 25,036 are medium-sized enterprises and as many as 123,495 are small enterprises. In total, Italian SMEs produced a turnover of 886 billion euros, added value of 212 billion (or 12.6 percent of GDP) and incurred financial debts of 223 billion euros. Medium-sized enterprises are often the target companies of private equity funds. However, small businesses, very often family-owned, have been in waiting limbo for years. Too small for PE funds and too large for Business Angels, they have remained under-participated by institutional funds and still have strong growth, consolidation, and internationalization power to unleash. Thus, a small treasure trove is being made available to a "new" category of investors, the so-called "Search Funds," born on the enthusiasm of new entrepreneurs and the opportunities presented by this asset class. The question that arises is: what these investment vehicles are, when are they born and who are the promoters? Moreover, what benefits can they bring to the Italian and international landscape?

Origin and Dynamics of the process

"Search funds" are an alternative investment model that developed in the United States in the 1980s. The first search fund was established by H. Irving Grousbeck and William E. Foster at Harvard Business School in 1984. Since then, they have spread widely across several continents and are catching on in Italy as well (*Figure 1*).

Figure 1 – International (outside United States and Canada) search funds by country



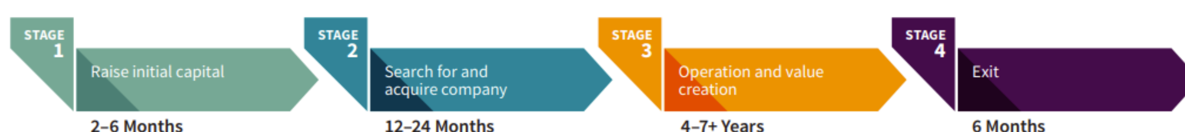
Source: IESE search fund surveys. Data as of December 31, 2021.

But technically what it is all about? The concept behind search funds is quite unique. A search fund is an entrepreneurial path undertaken by one or two individuals (the "searchers") with

usually an Investment Banking, Consulting or Private Equity background. These individuals form an investment vehicle with a small group of aligned investors, some of whom become mentors, to search for, acquire, and lead a privately held company for the medium to long term, typically six to ten years, to resell it with high gain.

The life cycle of a search fund (*Figure 2*) can be thought of as having four stages: (1) raising a search fund (i.e., a pool of capital) from a group of aligned, involved investors backing the searcher(s) to find a company to acquire; (2) searching and acquiring, usually one to two years during which the searcher(s) generate many leads to identify and acquire an attractive operating business; (3) operating, the longest stage and most compelling for the searcher(s) now in managing role as CEOs, during which the searcher(s) lead and grow the business; and (4) exiting, at which point the searcher(s) and investors achieve liquidity by various means.

Figure 2 – Search Funds stages of life



Features in detail: How does it really work?

Now that we understand the main features, let's look at how a search fund actually operates. In the initial phase, one or two searchers reach out to investors to raise the necessary capital for the search process aimed at acquiring a target company. On average, each searcher seeks around $350,000, totaling approximately $700,000 for a two-person entrepreneur team. This money is then utilized over the next 12 to 24 months to cover expenses related to searching and screening potential businesses for acquisition. These expenses include fees for data providers, salaries, travel, office space, as well as meals with investors or potential sellers. Notably, there are also costs associated with advisory and Due Diligence (financial, tax, legal, market, etc.) for the pipeline of potential deals, where each may fail due to issues arising during the DD processes.

Once the target company, i.e. the one having successfully completed all DD processes, is identified, investor capital is called upon. Unlike PE funds, investors have the choice to participate in individual deals. This introduces challenges for searchers in ensuring the availability of equity to purchase the company. Frequently, an Equity Gap arises, necessitating a new roadshow to raise the additional funds needed to finalize the deal. In addition to equity, searchers also leverage other sources of financing, such as bank debt, mezzanine facilities, and reinvestment of capital from the selling company's former shareholders. It's essential to note that while search funds position searchers and investor representatives in control roles like CEO, CFO, and board members, they maintain a strong connection with the entrepreneur who sold the company. This collaboration spans the years of participation and is often rewarded with Earn Out clauses to align performance interests on both sides.

Following the acquisition, the acquired company is managed and enhanced in terms of cost efficiency and productivity. Strategies like internationalization and consolidation through M&A are often implemented to increase margins and corporate growth, particularly in terms of revenue and EBITDA. These improvements lay the groundwork for creating a larger, more

structured business that can become a target for larger PE funds, facilitating a profitable exit through EBITDA growth, debt repayment, multiple arbitrage, or a combination of these factors.

Conclusions

In conclusion, Search Funds emerge as a groundbreaking avenue for aspiring entrepreneurs, providing a novel path for young professionals to venture into business ownership. Simultaneously, they represent a fresh source of investment opportunities for investors with very interesting returns. More crucially, Search Funds emerge as a distinctive asset class with a keen focus on small and medium-sized enterprises (SMEs), which have often been left out by most PE funds.

The increasing prevalence of these vehicles, both in Italy and globally, underscores their growing significance. As a transformative tool, Search Funds will play a pivotal role in Italy's economic landscape, fostering the resilience and competitiveness of its small businesses. By empowering young entrepreneurs and infusing capital into SMEs, Search Funds will contribute to the country's economic vitality, offering a promising solution for future challenges.

Zhongzhi Group's Financial Fiasco

By Xiaoyue He

Group Introduction

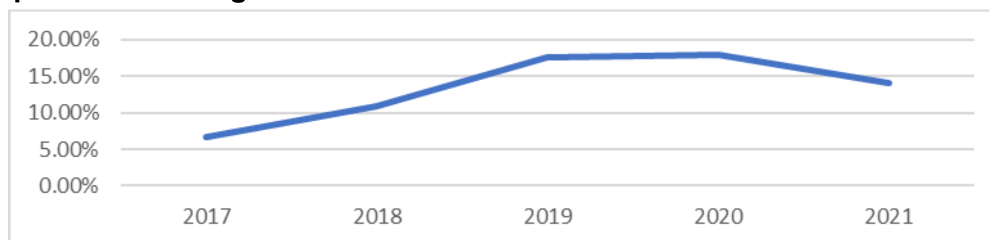
The Zhongzhi Group, as one of the flagships of private wealth management in China, was once known for its extensive layout in real estate, stock market, bond market, and bulk commodity investment. Starting from the core of Beijing, the group expanded to hold shares in ten listed companies and participated in numerous licensed financial institutions as well as assets and wealth management companies, with a business map that once seemed impeccable.

The Causes and Consequences of the Risk

However, with the sudden death of the group's soul figure, Xie Zhikun, on December 18, 2021, a series of management crises seemed inevitable. The succession of resignations among the senior management and high dependency on the former leader's decisions led to a paralysis in the group's internal operations. Moreover, the strategy of counter-market expansion in the real estate sector showed its fatal weakness at this time, as the imminent liquidity risks were ruthlessly exposed.

Despite the trust industry's peers tightening their risk controls, the Zhongzhi Group and its Zhongrong International Trust spared no effort to extend a helping hand to developers in crisis, even acquiring heavy assets like China Evergrande on a large scale. As the real estate market in China underwent turbulent changes and economic growth stumbled, the strategies of the Zhongzhi Group ultimately led to its predicament.

The proportion of Zhongzhi's trust assets invested in real estate from 2017-2021



Source:10jqka

Delving deeper into the causes of the Zhongzhi Group crisis, the case of its subsidiary Zhongrong Trust is particularly illuminating.

With the introduction of new asset management regulations and the "Two Reductions, One Decline" regulatory policy, the trust industry has been in a difficult period of adjustment since 2018. During this period, Zhongrong Trust bucked the trend, encountering problems across multiple projects, which incrementally dragged the company into a quagmire, especially in real estate. For instance, in 2021, Zhongrong Trust admitted to decision-making errors in market risk assessment during the management of the "Zhongrong - Beijing Xingcheng Real Estate Operational Property Mortgage Loan Collective Fund Trust Plan," and compensated for the operational risks incurred, resulting in a loss of approximately 527 million yuan from the general risk provision and trust compensation reserve funds.

Since December of the previous year, Zhongrong began a series of frequent equity transfers, with its entrusted assets continually diminishing. Taking into account various factors, Zhongrong Trust's entrusted asset scale shrank by over 100 billion yuan in nearly two years. At the end of 2019, the scale of entrusted assets managed by Zhongrong Trust was 765.452 billion yuan, which decreased by 6.25% (industry scale decreased by 4.34%) to 717.630 billion yuan by the end of 2020 and contracted by another 10.99% (while the industry scale grew by 1.24%) to 638.730 billion yuan by the end of 2021. By mid-2022, the scale of entrusted assets managed further contracted by 14.17 billion yuan, falling to 624.56 billion yuan.

Contrary to market trends, the real estate business continued to surface problems. On February 23, 2022, Zhongrong Trust received an administrative penalty decision (No. [2022] 4) from the Heilongjiang Banking and Insurance Regulatory Bureau, imposing a fine of 200,000 yuan on Zhongrong Trust for channeling collective trust funds into real estate projects that lacked complete required documentation.

The real estate business led to a surge in liquidity pressures for Zhongrong, and despite the shrinking management scale, disputes became frequent. Zhongrong was unable to avert its destined downfall. Naturally, its parent company, Zhongzhi Group, was also greatly affected. Faced with difficulties, the employees of Zhongzhi Group tried to stabilize the situation through restructuring and self-rescue, but to little avail. "Less effective than expected" became the portrayal of their self-rescue efforts. The company's predicament came to the forefront in August of that year, as its trust subsidiary Zhongrong failed to deliver on its high return promises to customers.

Current Situation

Finally, on November 22, 2023, the Zhongzhi Group had no choice but to disclose its heavy debt burden to investors—alarmingly high at 420 to 460 billion yuan, while its total assets were only 200 billion yuan, clearly insolvent. Given that the assets were mainly illiquid debt and equity investments, the group faced severe liquidity drying up and asset impairment. Now the Beijing Municipal Public Security Bureau had started an investigation into the alleged illegal criminal activities of the group's subsidiary companies. The crisis of the Zhongzhi Group is not only its own collapse but also a warning bell for the entire private wealth management industry.

Navigating the OpenAI-Microsoft Partnership: A Deep Dive into Market Dynamics

By Aaditya Sharma

In the ever-evolving landscape of artificial intelligence (AI), the partnership between Microsoft and OpenAI has emerged as a focal point, drawing attention from investors, industry analysts, and tech enthusiasts. Recent developments, characterised by the sudden removal and subsequent reinstatement of OpenAI CEO Sam Altman, have triggered significant fluctuations in the tech and financial spheres. A comprehensive analysis, delving into key statistics, stock prices, and notable events, unveils the intricate dynamics of this high-stakes collaboration and the story that unfolded over the past week.

Microsoft's Strategic Gamble and Financial Commitment

Microsoft's strategic foray into AI gained substantial traction when it threw its weight behind OpenAI in 2019. The company made a resounding financial commitment by injecting a staggering $10 billion into OpenAI. This move was more than a financial transaction; it symbolised a profound commitment to exploring the potential of advanced AI models. The partnership was framed as a "multi-year" agreement, valuing OpenAI at an impressive $29 billion, setting the stage for ambitious AI pursuits, including the elusive goal of artificial general intelligence (AGI).

The financial infusion from Microsoft was pivotal for OpenAI's audacious objectives, particularly in the pursuit of AGI – software capable of matching human intelligence. Sam Altman, OpenAI's CEO, emphasised the significance of Microsoft's financial backing in addressing the formidable costs associated with developing more sophisticated AI models. Altman acknowledged the efficacy of the partnership, stating that it was "working really well" under the leadership of Microsoft's CEO, Satya Nadella.

Financial Indicators: Microsoft's Stock Performance

The financial markets responded dynamically to the unfolding events within the Microsoft-OpenAI partnership. A critical barometer of investor sentiment, Microsoft's stock performance, exhibited noteworthy trends. On November 20th, Microsoft's stock surged to a record high of $378.61, registering a remarkable 2% increase. This spike was a direct consequence of Microsoft's announcement that it would be absorbing key AI executives from OpenAI, including the now reinstated Sam Altman and co-founder Greg Brockman.

Simultaneously, the Nasdaq, renowned for its tech-heavy composition, spearheaded a broader market rally with a 1% surge, marking its highest closing level since July 31st. The S&P 500, another major index, mirrored this positive trajectory, securing its highest close since August 1st. Microsoft's strategic moves in the AI domain significantly contributed to the positive momentum in technology stocks, with industry heavyweights like Nvidia and Apple also experiencing notable gains.

Leadership Turmoil

The unanticipated removal of OpenAI CEO Sam Altman sent shockwaves through the tech industry, prompting concerns about the stability of the Microsoft-OpenAI partnership and the potential ramifications for Microsoft's core AI strategy. However, the subsequent reinstatement of Altman five days later acted as a stabilising force, alleviating worries among investors and stakeholders.

Microsoft's stock, a reliable gauge of market confidence, showcased resilience in the face of the leadership turmoil. The 2% surge on the day of Altman's reinstatement reflected investors' positive response to the swift resolution of the crisis. Beyond Microsoft's individual stock performance, broader market indices also exhibited positive trends. The Dow Jones Industrial Average rose by 0.58%, the S&P 500 gained 0.74%, and the Nasdaq Composite added 1.13%, reaching their highest levels in months.

Satya Nadella's adept handling of the situation played a pivotal role in maintaining investor confidence. His swift reassurances to customers about the security of Microsoft's access to OpenAI's technology, coupled with the commitment to invest $13 billion in OpenAI, contributed significantly to stabilising market sentiment.

Financial Commitments

Microsoft's substantial financial commitments to OpenAI have been instrumental in shaping market dynamics. The $13 billion investment pledge, while reaffirmed amid the leadership turmoil, comes with a nuanced structure. Notably, a portion of this funding won't be disbursed until OpenAI fulfils future commitments, providing Microsoft with a strategic lever to ensure accountability.

The market's positive response to Microsoft's commitment underscores the significance investors place on the strategic collaboration with OpenAI. Despite the temporary uncertainty caused by Altman's removal, Microsoft's proactive steps to retain key figures, including Altman and Brockman, reassured investors about the continued strength of the partnership.

Governance Challenges

The OpenAI saga has brought attention to governance challenges within the organisation, featuring a non-profit board overseeing a for-profit startup model. This unique structure has faced scrutiny, raising questions about its effectiveness. Microsoft, as a pivotal partner, has expressed a desire for governance changes within OpenAI to enhance stability and effectiveness.

Furthermore, the prospect of OpenAI's staff potentially moving to Microsoft triggered concerns about regulatory scrutiny. The possibility of former OpenAI staff replicating the company's AI models within Microsoft raised antitrust concerns, potentially granting Azure cloud platform exclusive access to the technology. While Altman's return to OpenAI has eased such concerns, the incident underscores the regulatory complexities inherent in AI collaborations.

Diversification Strategy

Microsoft's strategic positioning in the AI landscape extends beyond its collaboration with OpenAI. Recognizing the importance of diversification, Microsoft has been gradually reducing its dependence on a single source of AI technology. Responding to customer demands for a

choice of AI solutions, Microsoft has started offering models from various companies, not limiting itself to OpenAI. While the tight integration between Microsoft's cloud platform and OpenAI's models has been a significant selling point, this diversification strategy aims to provide customers with a broader array of AI technologies. This shift reflects Microsoft's proactive approach in adapting to market demands and mitigating risks associated with exclusive dependency.

As the generative AI market continues to evolve, Microsoft's leadership faces both challenges and opportunities. The OpenAI saga has prompted a moment of reflection among potential customers, leading the tech community to reevaluate its stance on AI investments. The trajectory of AI technology and the stability of key partnerships are now under scrutiny. Microsoft's focus on integrating all its AI technologies and optimising OpenAI's models on its hardware has contributed to its strong market position. However, developments like the release of Orca 2 by Microsoft Research signal a potential shift in the next phase of the world of generative AI.

Luxury made possible: A closer look at the new Investment Platform Diversified

By Mathilde Castaigne

In 2023, revenue in the luxury goods market amounts to $354.80 billion. In this context, LVMH, the world's largest luxury company, recorded organic revenue growth of 14% in the first nine months of 2023. Indeed, the luxury industry is a market segment in constant growth. Often viewed as a symbol of status and wealth, luxury purchases have always caught the eyes of many clients, including individual resellers that bet on the evolution of the value of certain luxury items. A classic example is French luxury company Hermès's Birkin bag, which reaches resale values as high as 90% of the original price when purchased.

In today's fast-paced financial landscape, the pursuit of investment opportunities that offer both stability and substantial returns has become an ongoing challenge. For mitigating risk and maximizing returns, diversification has always been a key strategy in the investment sector. However, traditional diversification typically involves spreading investments across different asset classes. In April 2022, Vincent Bourdel and Tugdual de Kerviler took this concept a step further by offering the opportunity to diversify their portfolios with luxury assets through a platform called Diversified, available in Europe. In this article, we will explore what this platform offers and how their operations are conducted.

Asset selection and expertise

The French startup Diversified was founded in 2022, aiming to democratize the world of luxury investments, allowing individuals to co-invest in rare and profitable goods. Indeed, its users can invest in luxury items for as little as 100 euros. The company selects assets according to their potential return on investments, and transforms them into financial products that multiple customers can invest in. Diversified issues (regulated) bonds, called "DIFIED", that guarantee a return on the net profits of sale at the end of the investment period. The assets are then sold within 6 months, and the profits are redistributed to the holders of the corresponding financial products. Luxury assets available for investment on the Diversified platform include, but are not limited to, high-end watches, fine wines, and premium diamonds. Diversified emphasizes the importance of selecting assets with estimated annual returns of at least 10%, offering investors the potential for significant profits.

Investors have the flexibility to make their own investment decisions, tailoring their portfolios according to their personal analysis; indeed, the platform provides relevant information about the products featured, in order to guide individuals and help them manage risks effectively. For example, each product's page features the asset's characteristics, what retail partner the platform is in touch with, associated risks of investment and expected returns. Examples of selected retailers include industry leaders CaskTrade for spirits, Patriwine for wine, and Crésus for watches.

Storage and security

When it comes to investing in physical assets, a main issue is the storage of the items. According to the information provided on their website, the Diversified investment platform partners with

reputable storage facilities that ensure safe storage and full coverage of the assets invested. While specific examples and data about storage and security practices for individual assets are not provided, Diversified emphasizes the expertise of its partners in handling storage and insurance.

Conclusion

Overall, the emergence of Diversified as a luxury investment platform marks an evolution in the financial landscape, providing a new perspective for individuals to engage with and benefit from the lucrative industry of luxury assets.

A closer look to Charlie Munger and how he affected Buffet's legacy

By Giuseppe Mansueto

Early Life

Warren Buffett, often hailed as one of the greatest investors of all time, didn't achieve his unparalleled success alone. At his side throughout much of his journey was Charlie Munger, a man whose wisdom and insights have played a pivotal role in Buffett's investment philosophy and decision-making. This article explores the life and contributions of Charlie Munger, the indispensable partner who helped Warren Buffett navigate the complex world of finance.

Born on January 1, 1924, in Omaha, Nebraska, Charles Thomas Munger grew up in a middle-class family during the Great Depression. Munger's early life was marked by academic excellence, and he displayed an insatiable curiosity for learning. After serving as a meteorologist in the U.S. Army during World War II, Munger attended Harvard Law School, where he earned his law degree.

Buffett and Munger's Iconic Partnership

The fateful meeting between Warren Buffett and Charlie Munger occurred in 1959 at a dinner party in Omaha. Munger, a successful lawyer at the time, was impressed by Buffett's investment strategies and philosophy. The two immediately struck up a conversation that would evolve into one of the most iconic partnerships in the financial world.

Charlie Munger brought a different set of skills and perspectives to the table, complementing Buffett's own strengths. Where Buffett was known for his deep value investing and focus on financial metrics, Munger introduced a broader, multidisciplinary approach. Munger's extensive reading habits and interest in psychology, economics, and various other fields enriched Buffett's understanding of businesses and the world at large. "Berkshire Hathaway could not have been built to its present status without Charlie's inspiration, wisdom and participation," Buffett, Berkshire's chief executive, said in a statement. One of the key concepts Munger introduced to Buffett was the idea of developing a "latticework of mental models." This involves understanding a wide array of disciplines and using the principles from each to make more informed decisions. This multidimensional thinking became a hallmark of both Munger and Buffett's approach to investing.

As Buffett transformed Berkshire Hathaway into a conglomerate of diverse businesses, Munger played a crucial role in shaping the company's direction. Munger's emphasis on investing in high-quality businesses with durable competitive advantages aligned seamlessly with Buffett's value investing philosophy. Together, they built a company that not only survived but thrived over the decades.

Charlie Munger is renowned not only for his intellectual prowess but also for his sharp wit and candid communication style. His speeches and writings are filled with memorable quotes and lessons on life and business. Munger's "lollapalooza effect," a term he coined to describe the combined impact of multiple cognitive biases, is an example of his ability to distill complex ideas into simple, memorable concepts.

Charlie Munger's partnership with Warren Buffett has been instrumental in the success of both men and the enduring legacy of Berkshire Hathaway. Munger's influence extends beyond investing; it encompasses a philosophy of lifelong learning, multidisciplinary thinking, and a commitment to ethical business practices. As Warren Buffett often acknowledges, Charlie Munger is not just his business partner but a dear friend and a fundamental force behind the remarkable success of one of the world's most admired investors.

Navigating Berkshire's Future

Unfortunately, Charlie Munger, the sharp-witted vice-chair of Berkshire Hathaway and investment partner of Warren Buffett, died aged 99 on Tuesday at a California hospital, the US investment conglomerate said. Nonetheless his departures brings Berkshire and its hundreds of thousands of shareholders closer to an era in which an investment empire worth nearly $800bn is steered by a less familiar group of leaders.

Berkshire has spent more than a decade preparing for this moment and the day that Buffett, 93, hands over the reins. It was Munger who accidentally revealed that Greg Abel, who had risen through Berkshire’s energy business and is now vice-chair of its sprawling non-insurance unit, would one day succeed the pair.