Oxwater Capital Management

Operating Philosophy

We invest in exceptional companies that are undervalued by the market.
Our focus is on owning select businesses with durable growth prospects, deep competitive advantages, and strong financial positions. When such companies trade at a notable discount to intrinsic value, we believe they present the opportunity for superior long-term returns with lower inherent risk.

We measure risk as the potential for permanent loss of capital, not volatility.
Risk is inversely related to value, and consequently rises when an asset is of poor quality or priced too highly relative to its prospects. As such, we attempt to mitigate risk by restricting the Fund's capital to high-value opportunities, a determination based on in-depth fundamental analysis.

We concentrate the Fund's assets to capitalize on high-value situations.
Given the infrequency with which attractive opportunities arise, it is imperative that we establish meaningful positions relative to the Fund's assets and do not dilute the effectiveness of our best investments. Accordingly, our targeted number of holdings is between 4-6, a range which we believe provides a sufficient level of diversification to insulate the Fund from black-swan risk pertaining to any individual position, while still providing a level of concentration that allows for outperformance.

We seek to maximize the Fund's long-term growth in net asset value per share.
We make investment decisions with multi-year horizons and do not attempt to optimize short-term returns, which enables us to minimize portfolio activity and position turnover. This is not to suggest that we are "buy, hold, and never sell" investors, as we will consider selling a position if we believe 1) market expectations have exceeded reality and flattened the company's future return trajectory, or 2) a different investment opportunity offers a materially better use of capital.

We do not restrict ourselves to certain sectors or industries.
Compelling investment opportunities can develop across all segments of the equity market, so we do not limit our involvement to any particular subsections. We do, however, have a hard and fast rule that we must fully understand a company – its product offering, business model, cost structure, operational risks, and competitive positioning – if we are to invest in it.

We are committed to being a low-cost operation with minimal overhead.
Our strategy is intentionally simple and minimalistic, relying on primary research rather than costly programs or subscriptions, enabling the Fund to retain incremental dollars, each of which is magnified in importance when reinvested into investments subject to compound growth.