(This copy is an AI-assisted translation of the original transcript in Chinese)

E09 Shareholder Meetings and "Mr. Smart-Aleck"

June 3, 2025

I traveled far from home in May to attend a shareholder meeting and want to share two realizations with everyone: First, *this is my company*; second, I must guard against becoming a "smart-aleck."

As usual, I'll ask you a few questions:

- Should you say "thank you" after eating a free lunch?
- What do you think of this news: "Moutai's pre-shareholder meeting dinner changed to a buffet; Feitian Moutai replaced with blueberry juice"?
- Who *wouldn't* want to attend a shareholder meeting?
- Who is the most successful group of investors in the world?
- Which of the following would you choose: 1) An excellent company, price not cheap; 2) A pretty good company, price acceptable; 3) A mediocre company, price cheap?

Timeline

00:07 Gaining information beyond the annual report through shareholder meetings

04:38 This is my company

08:32 Re-evaluating Mr. Market

12:18 Strengthening business thinking to combat stock market thinking

20:31 Some bet before thinking it through; once thought through, you just need to believe

24:41 Investors, generally speaking, are too smart

Introduction: Gains and Genuine Perceptions from Attending Shareholder Meetings

Hello everyone, I'm Patrick, welcome back to *Slow is fast*. I traveled far from home a while ago for a few days. As you know, May is a concentrated period for domestic public companies to hold shareholder meetings, so it's a very suitable time to travel. We say that investing in stocks is buying a company; if a company we invest in holds a shareholder meeting, we should attend if conditions permit.

Motivations for attending can vary greatly. I saw someone post on Xiaohongshu about their experience attending Tencent's shareholder meeting; they were essentially there to stargaze, just to see if Pony Ma still looked young. Others might travel to Maotai Town and drop in on Moutai's shareholder meeting. These are all fine. As long as you are willing to take a look, attending your invested company's shareholder meeting is actually quite necessary.

Of course, this doesn't mean you must attend every company's meeting every single year. The extra takeaways or feedback you gain annually might not be vast, so it's not strictly necessary. But for newly purchased companies, attending once is quite good. My recent attendance did indeed yield quite a bit. In terms of investing, the first thing is that you can indeed see many things beyond the annual report. Previously, buying a stock was mainly based on understanding the company through annual reports or public information. Attending in person, I feel, gives a very genuine perception, especially regarding the company's culture.

Because you are actually at the company (though some aren't held at headquarters), you have the opportunity to tour it and communicate with management. You can specifically feel whether the company's culture permeates everywhere: do grassroots employees endorse and practice it? Does management walk the talk? You observe what they say, whether they consistently say and do it, and whether their decisions reflect the culture. At the same time, you gain extra information. There is a Q&A session where you can ask management about issues you care about, and they usually communicate quite candidly. So, answers to certain questions will naturally give you extra information, though I feel it might not be the decisive kind.

Another benefit is that if you are a true investor choosing a company that isn't highly popular, you might occasionally feel lonely in your solitary persistence, doubting if you are the only one who sees its value. But attending the meeting, you meet like-minded investors from all over the country who also endorse the company. This can somewhat eliminate your investment loneliness, showing you that many people actually recognize its value. Personally, after the meeting, I met new friends, caught up with old ones to relax, and incidentally did some fieldwork on the company. Seeing what's new in the market is a great chance to unwind. So overall, I think attending some shareholder meetings when you have the time and opportunity is a great experience.

Perspective 1: Buying Stocks is Buying the Company and the Spirit of Ownership

This time, I also had two major realizations I want to share.

The first realization is about "this is my company." We always say investing in stocks is buying a company; by buying the stock, I own a part of it, meaning the company is partially mine. Naturally, I clearly understand this concept, yet it's hard to avoid some psychological deviations. For instance, at the shareholder meeting of a company I invested in this year, the company hosted a dinner for shareholders afterward, and management sat down to chat with us. After eating, I instinctively said "thank you" to the management. Interestingly, someone from the company replied, "No need to thank us, this is your money, so don't be polite." Indeed, this is *my* company; treating attending shareholders to dinner was technically spending my money. It was then I suddenly realized I hadn't truly treated the company as my own or viewed every penny it spent as investment capital distributed to shareholders.

This also relates to Moutai's shareholder meeting this year. I don't know if you've heard, but there was a huge change. Previously, when Moutai hosted shareholders for dinner, there were usually two bottles of Feitian Moutai on the table. Afterward, they prepared a gift for everyone, containing mini bottles. Someone calculated that these mini Moutais were worth several thousand RMB, basically reimbursing travel expenses. This year, Moutai changed it to a buffet, with no Moutai liquor, instead offering their own blueberry juice. Some shareholders were quite unhappy. But think about it: several thousand people attend Moutai's meeting annually. If every table had Feitian Moutai and every gift bag had mini bottles, the overall cost would be staggering. And isn't that all shareholders' money? So as a shareholder, why be unhappy when the company saves you money?

So if we are truly practicing value investing, we must deeply understand that "buying stocks is buying the company"—this company is *my* company—and scrutinize its actions through that lens. We should think more like owners: is this truly beneficial to the company? Of course, there is a huge difference between true investors and fake ones. I suppose speculators wouldn't want to attend shareholder meetings, because to them, a stock is just a piece of paper bought with the hope of selling it at a higher price later. It's hard to say they have any spirit of ownership, right? So traveling far to attend a meeting is probably not something speculators like to do. But if you are an investor, you consider it your company. Checking on its development annually, meeting management, and communicating with them should be a very natural thing. Therefore, investors need to treat the company as their own while learning to ignore the market's ups and downs.

Perspective 2: Shifting from Stock Market Thinking to Company Thinking (Business Thinking)

Actually, if you are buying the company, short-term market influences aren't that significant. We've discussed the concept of "Mr. Market" before. Before buying a stock, Mr. Market is purely a quote provider, giving you a price every day. Whether you buy the company has little to do with his quotes, especially their volatility patterns. Mr. Market's quoting pattern isn't the judgment guiding whether we should buy the company, right? So before buying, view Mr. Market merely as someone providing a quoting service for you, rather than letting him dictate your purchase. What's harder, of course, is how you view Mr. Market *after* buying the stock. I have firsthand experience with this: before buying, I can somewhat ignore Mr. Market's price fluctuations, focusing more on whether the company has a good business model and culture, using price only as a factor in timing my purchase.

However, after buying, your mindset inevitably fluctuates somewhat. Because once bought, the company's interests are closely tied to yours; if you bought a lot, they are extremely tied. What easily happens is that Mr. Market is no longer a simple service provider, but becomes a referee. Meaning, after I buy, if the market and stock price go up, I feel I bought correctly; if the price drops, I doubt myself and wonder if I made a mistake. There will always be some psychological turbulence. In other words, after buying, I fail to completely ignore the market, treating Mr. Market as a referee and a crucial judge of whether my investment was correct.

This requires us to shift from stock market thinking to company thinking. You are buying a company. Even if it's partial ownership, it's essentially no different from owning it entirely. You hope the company's profits will continuously grow due to its good business model and culture. Thus, as an owner, you share in its profits and growth—this is company thinking. But most of the time, we are stuck in stock market thinking: focusing on market fluctuations, the actions and words of other market participants. These all affect our judgment of a stock's value and influence our current choices. Stock market thinking constantly erodes our company thinking, so we must continuously choose to ignore the market and strengthen our company thinking. And company thinking is, in essence, business thinking.

If you own a small business, you don't have a public market constantly providing quotes for it, so you operate purely with business thinking. But because the stock market exists, we are often led astray by it. To strengthen business thinking, actually running a business is a great method. Entrepreneurship can be costly, but sometimes doing business isn't that expensive. Doing more business is excellent for strengthening our business thinking. For instance, in his youth, Buffett delivered newspapers, broke up packs of gum to sell individually to friends, bought used pinball machines to put in barbershops, and placed weighing scales in various locations to make money. Buffett is so successful in investing because he has extremely strong business thinking, shaped by the businesses he ran starting in his early teens. So, if your investment mindset was largely shaped by early business experience, you won't easily let the stock market dictate your investments. If you've never run a business and jump straight into the stock market, getting swayed by its ups and downs without business thinking, you might be destined to remain a speculator.

Of course, doing business isn't easy nowadays. I recently watched a documentary, the second season of *The Era of Rapids* by Li Xiang. One episode discussed current franchise businesses. I saw many franchisees following the consumer franchise trend, joining various milk tea or bakery businesses, but often losing money. This is a good lesson. Even if you lose money, you can understand *why* you lost it, right? You can see that for franchisees, they operate mostly with business thinking. For example, they know opening a Mixue Ice Cream franchise might cost 200,000 RMB, while a Chagee might cost 1 million RMB. But in Chagee's early days, the payback period for a franchise might have been just six months. For someone who managed to franchise Chagee early on, if you truly recouped your investment in six months, that was a fantastic investment, right? Recouping in six months means an extremely low PE ratio. This is typical business thinking: I consider how much cash flow and net profit the business can generate, and I evaluate my payback period. This is business thinking.

Franchising is a long topic we won't delve into today. My point is that franchising is a great option for training business thinking. Of course, franchising might be too risky, so we can consider low-cost options like opening an online store. In Hong Kong, I've seen people do mini-startups, like claw machine shops, right? You can even rent just a single claw machine. You rent one, look at the monthly rent and monthly revenue, and see how long it takes to break even. These are lower-cost business opportunities requiring minimal capital. Therefore, strengthening your business thinking to resist stock market thinking and truly ignore the market is incredibly helpful for an investor.

There are other, zero-cost ways to strengthen business thinking. You don't need to spend your own money; just put yourself in the shoes of a boss or entrepreneur and think about how to run an enterprise well. Pick a company you're interested in and think: If I were the CEO, how would I run it? Would I make the major decision they are making right now? If you find your decision differs from the CEO's, dig deeper into why. This might give you more perception on "how to run an enterprise well."

Often, you'll find that running a company well isn't driven by sheer cleverness. In fact, one should be wary of overly smart entrepreneurs. Mostly, it relies on common sense, seeing if you are doing the right things. Everyone has their own cognition of what is right. The question is whether you can avoid being swayed by others or market investors and persistently do what you believe is right. Over time, the gap between good and bad enterprises will show. I also felt this while attending the shareholder meeting. As shareholders and investors, everyone has good ideas, but ideas themselves are worthless. Yet as a shareholder, since the company is yours, you still occasionally get the urge to teach the CEO how to run the business. You always feel the company could do this or that to improve performance. Although it's your company, unless they ask for your help, generally speaking, don't act like a "smart-aleck."

Running a company isn't driven by ideas; mostly, it just takes common sense and continuous execution. Do you think company leaders lack the brains or agility to think of these things? They often have. So I don't think a shareholder meeting is the place to offer specific operational advice. The meeting is for discussing whether the company's broad strategic direction is sound. If the general direction is fine, your role at the meeting is to see if you can trust the management team. If you can trust them and the direction is right, leave the execution to them. So, my first major realization is: this is my company. I bought it, and it is mine. I should adopt more business and company thinking, and be wary of stock market thinking. Mr. Market is just a quote provider, not a referee. As long as management is trustworthy, let them do their job.

Perspective 3: Guarding Against the "Smart-Aleck" Tendency in Investing

My second major realization this time is about the question: "Am I a smart-aleck?" Why do I say this? Because attending the shareholder meeting, I conversed with other shareholders. I found it fascinating that many actually still had numerous doubts about the company's business model. These weren't doubts about details, but about the very core of the business model. In other words, they had bought into the company without being highly certain of its business model. If their position is large—a heavy bet rather than an observation position—then I think they have already made a mistake by betting heavily on an investment opportunity they aren't that certain about.

I feel there are quite a few people like this. But if you truly endorse the company's business model and culture, there actually isn't much you need to do as a shareholder; you simply need to choose to believe in the entrepreneur. You can see this in the behavior of Buffett and Duan Yongping. As a holding company, Berkshire Hathaway has only a dozen or so people at headquarters, yet manages hundreds of enterprises. They simply choose to believe the entrepreneurs can continuously create value; they don't interfere in daily operations. Of course they attend board meetings and provide help when needed, but mostly, they don't need to do much.

We can ask ourselves: who is the best investor group in the world? Some say value investors, others say hedge funds. But actually, I think the best investor group is entrepreneurs. First, they only do what they understand; if they don't understand it, they don't invest. They engage in businesses where they believe they have an edge and understand the operations. And they focus intensely only on businesses where they have a comparative advantage. Naturally, they hold long-term; they invest in their own companies; they have an extremely strong margin of safety (holding original shares until the IPO). Good entrepreneurs aren't distracted by the market; they persist in doing what they believe is right, which falls within common sense. Naturally, their performance is arguably the best in the world; the returns on their own companies could be a thousand, ten thousand, or even a hundred thousand times. So in reality, the best investors in the world are entrepreneurs.

If you choose not to believe in those entrepreneurs and instead think you can provide the best guidance for the company, you might just be a "smart-aleck." I constantly remind myself that I attend these meetings first to identify any new Black Swan risks (meaning, have any new situations arisen that pose a massive risk, prompting me to sell); and second, in the absence of new risks, to constantly remind myself that besides cheering them on, there's little I can actually do. I should choose to trust these entrepreneurs.

My overall feeling is that investors, as a group, are simply too smart. Sometimes they make the mistake of being *too* smart. For instance, ignoring a one-foot hurdle to deliberately challenge themselves with a seven-foot one. They might seek out highly difficult industries where the future is impossible to judge. Or recently, when new trends or hot stocks emerge, they get restless, thinking, "Should I take a look and expand my circle of competence?" They use "learning and expanding my circle of competence" as an excuse to jump into these highly difficult industries. Frankly, this is chasing trends and hot spots, seeking high-difficulty paths. Even within investing, we see top investors buying a certain type of stock and beating the market. Sometimes we wonder: "Should I understand how this path works? Can I also make big money on it?" Taken to the extreme, this turns into speculation, right? This is purely wanting to see if one can make big money on the high-difficulty, impossible path of speculation.

Furthermore, investors frequently face high-difficulty choices, placing themselves in extremely agonizing situations. For example, I sometimes ask myself if I'm facing three choices: 1) I see excellent companies, but they aren't cheap; 2) I see decent companies at acceptable prices; 3) I see mediocre companies at very cheap prices. I wonder which I should choose. This is a typical behavior of placing oneself under a high-difficulty choice, forcing a decision. I don't know which you would choose, but I later realized there's a fourth option: invest in none and choose to wait. I should wait until a good company is also cheap before investing, right? Just like in Texas Hold'em, you can always fold; you don't have to play. No one demands that if you have a little spare cash, you must immediately throw it into one of those three choices; you can wait. These are classic examples of the "smart-aleck" investor—ignoring the one-foot hurdle to specifically look for the seven-foot one.

Another example is in analysis. Someone might analyze a company's business model and force a complex logic to prove "this is actually a great company." This usually happens after a company has already surged. They couldn't understand the surge before, so they find reasons: "I misjudged this company before; I thought it was type A, but there's a higher-level logic I missed. Now I see it, I should buy." This is a classic example of forcing a moat where there is none.

Another common type is needing to appear very smart. This involves seeking validation externally or in the market more visibly. Maybe after buying a stock, they start mindlessly hyping it in public, shouting, "This company is so great, you guys are too stupid." Or they casually comment on any industry or company, regardless of whether it's in their circle of competence. They feel their circle is infinitely large—"I understand every company and can comment on all of them," right? These actions are typically aimed at appearing smart while actually seeking validation and presence from the outside world and the market. These erroneous habits are, of course, what I remind myself to constantly guard against.

Conclusion: Investing is a Cultivation of the Mind

Why are there so many "smart-alecks" among the investor group? I don't know exactly, but I think it might be because this group relies heavily on brainpower. They might be used to intellectual games; growing up receiving elite education, exams test your intellect. We get used to these intellectual games and blindly apply them to investing, mistakenly believing investing is a pure contest of personal analytical ability. "As long as my analytical skills are better than yours, I should make more money."

But as we discussed before regarding investor comparative advantage, this is completely wrong. Investment analytical ability might not even account for 10% or 20% of success. What's far more important is your psychological fortitude. Those who truly make big money in investing are often not the ones who appear supremely intelligent or exceptionally clever on the surface. In fact, many who make money use extremely simple business logic and thinking, yet achieve great returns because the core success factor is psychological temperament. Can you endure the loneliness of waiting? Can you revert to the simplest common sense and stick to your judgment when everyone else is pessimistic?

Investing is not a high-IQ intellectual competition; it's more like a farmer tending a field. You need to experience the full cycle of planting in spring and harvesting in autumn. It is absolutely not a quick exam where scoring 98 automatically guarantees a better outcome than scoring 80. So, this is my second realization from this trip: constantly guard against becoming the "smart-aleck" in investing. Alright, it's a bit short today, but we'll stop here. Let's go tend our fields slowly together. Bye-bye.