



**mot·ley** | \ 'mät-lē \: made up of many different people or things

A popular synonym for motley is diversified. How appropriate that Motley Fool Asset Management include a word that means diversification in our name! We bring **Motley** into all aspects of our business, especially when selecting companies to add to our portfolios.

Each of our actively managed investment selections is hand-picked with teamwork, diligence, and patience. We believe that long-term ownership of quality businesses is a winning strategy. We also maintain that, eventually, businesses will reflect the value of their future cash flows. For the most exceptional businesses, the bulk of intrinsic value resides in their long-term relevance.

Investment managers can identify quality in a variety of ways. We could go as far as saying the definition of quality is motley! At Motley Fool Asset Management, our interpretation of Quality is well defined and the primary driver of all our actively managed investment decisions.

The Motley Fool Asset Management team uses Four Core Pillars to determine the Quality of potential actively managed investments: management culture and incentives, business economics, competitive advantage, and trajectory.

**Management Culture and Incentives:** We look for management teams that can articulate their strategies and rally their entire organizations around executing them.

- Fit of managers coupled with a complementary board
- Clearly articulated visions and strategies
- Relevant and transparent corporate culture
- Ownership mentality with a history of good capital allocation and choices
- Sensible incentive structure

**Economics of the Business:** Once we find a company with a strong vision, leadership, and culture, we dig into the numbers. What we're looking for is growth coupled with a healthy balance sheet.

- Long-term return on capital
- Scalability of business
- Relative and absolute margins
- Business and product cyclicalities

**Competitive Advantage:** We love to see a unique strategy, product, service, or business model that stands out from the competition, and which may potentially help them dominate the landscape for years to come.

- Pricing power
- Barriers to entry

- Intangible assets such as superior brands, proprietary data, and patents
- Sustainable unique positioning

**Trajectory:** Growing companies within growing industries. These companies take a bigger and bigger slice of the pie within their sector, all while the sector itself continues to grow.

- Future growth prospects
- Record of continuous innovation
- Reinvestment opportunities
- Balance the absolute potential with the risk of achievement

We believe that what separates Motley Fool Asset Management from our competitors is our personal approach to actively managed investment selection. Our Four Core Pillars require a deep understanding of the companies we own as well as the vision to recognize potential that isn't easily captured in a computer model. We'll often follow a company for weeks, months, or even years before including them in one of our products. But we believe this thorough vetting is crucial to our process. Some may say this is unconventional. We prefer to call it **Motley**.

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