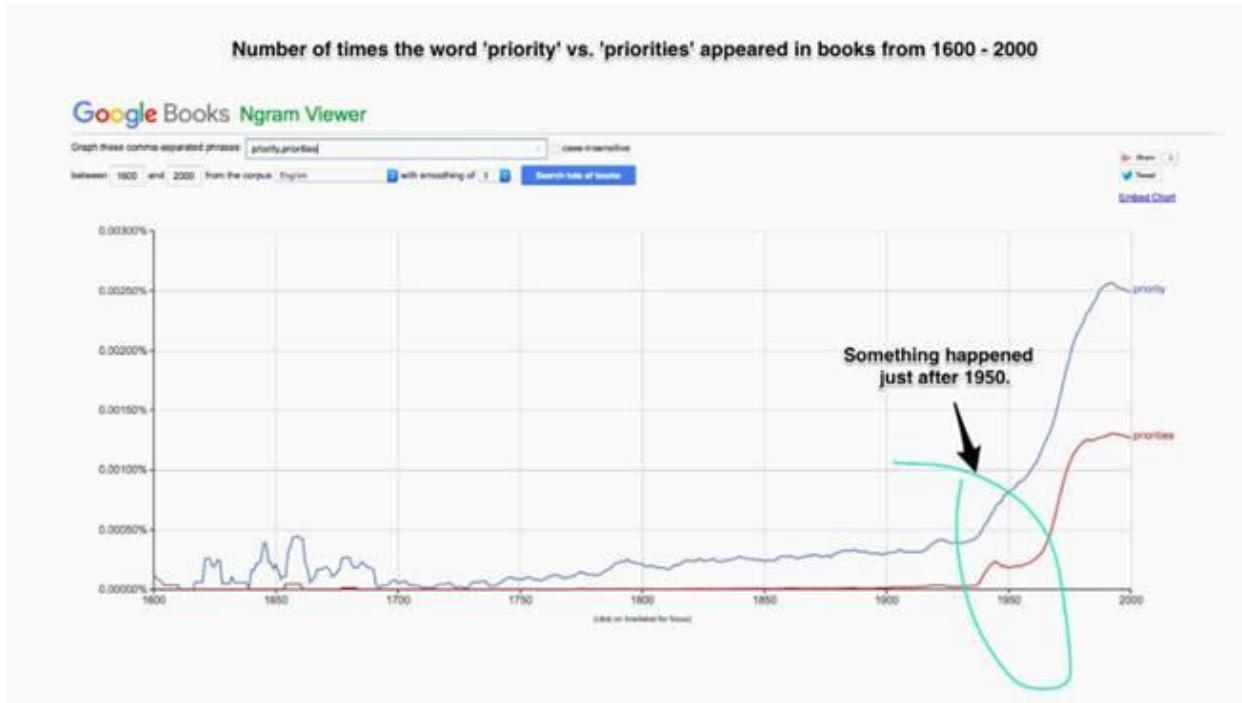


The Outlook: Jan. 20, 2017

The best business (and investment) advice in the world.



Once in a rare while, even on Inauguration Day, along comes a writer who says something so powerful and compelling, and which strikes such a resounding gong from the bell of our common sense, that it deserves all our attention. The chart above came from a story by Mr. Mikael Cho, founder of a company in the internet software and website business. Mr. Cho was writing about the “best business advice in the world,” from Steve Jobs, legendary CEO of Apple. Years ago, Nike Corp. named a new boss when the company was somewhat stalling, and that boss (Mark Parker) asked Steve Jobs for advice. Here it was:

“Nike makes some of the best products in the world. Products that you lust after. But you also make a lot of crap. Just get rid of the crappy stuff and focus on the good stuff.”

In other words, said Mr. Jobs, “Prioritize!” And he meant, as Mr. Cho wrote, “Actually prioritize—meaning, get rid of two-thirds of your distractions and do just a few things extremely well.” Mr. Jobs had done that himself, when called back to rescue a near-bankrupt Apple in 1997, cutting 70% of its product line and truly focusing on just one item: the Apple 1 computer. Mr. Cho wrote something profound, so let’s let him speak for himself:

“By focusing on less (because we haven’t truly prioritized) we give ourselves the time to build a product that solves a problem in an incredible way. When our company’s energy and resources are spread too thin, we can’t help but solve problems at a high level. (At that level) we can’t really pay close attention, so we build something that’s good enough. But there’s too much competition out there, to build anything that is only good enough.”

The chart on top needs explaining, but it’s interesting and fun. Google (naturally) is able to search all books in print since 1600—which happens to be when the word “priority” first appeared in print. “Priority” originally meant “the single most important thing.” As Google’s chart shows, around 1950 the common usage of “priority” somehow began to change. It began referring to several “most

important things,” or even lengthy lists of “most important things.” It brings to mind a line from the cartoon movie, The Incredibles, in which Dad, reacting to his discovery that his kids’ whole classrooms received awards for “outstanding performance,” said “But if everybody is outstanding, nobody is outstanding!” Yes: if everything is a priority, nothing is.

For us investors, the lesson is perfectly clear as far as Outlook is concerned. “Own a very few companies. Follow their business performance and leadership intensely. When they are doubted by the market, buy them, hang on, and keep putting more money into them until they’ve demonstrated the business performance we expected, and the market has emphatically dropped its doubts about them.” Those lessons can’t be respected unless we stick close to the first meaning of “prioritize,” not the modern meaning. That’s exactly what we’re trying to do at Outlook, and we’re pretty sure we’ll look back on this Inauguration Day, in a few years, and marvel at how well our companies and their stocks have done.

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