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RESEARCH ARTICLE

LET THE PROFITS RUN: THE COFFEE CAN PORTFOLIO REVISITED

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ABSTRACT

This paper examines the "Coffee Can Portfolio" approach within the contemporary asset management context, contrasting its long-term investment philosophy against modern financial risk management strategies. It delves into historical and behavioral finance perspectives, exploring the efficacy of holding stocks over extended periods, and the psychological barriers such as loss aversion and the disposition effect that often hinder investors from holding on to winning stocks. Through a literature review and case studies of the Voya Corporate Leaders' Trust Fund and Berkshire Hathaway's long-term holdings, the paper evaluates the practical applications and challenges of implementing the Coffee Can Portfolio approach. It addresses the role of diversification, Value at Risk (VaR), and portfolio construction in managing financial risks associated with a Coffee Can Portfolio approach. The findings underscore the importance of initial stock selection, patience, behavioral finance understanding, and the judicious use of risk management tools in crafting a resilient long-term portfolio. The paper's comprehensive analysis aims to bridge the gap between theoretical investment strategies and real-world portfolio management, offering insights into achieving superior financial outcomes through disciplined, long-term investment practices.

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INTRODUCTION

Part I: Introduction and Research Questions

Have you ever sold a winning stock too early, only to watch it soar even higher? Or have you ever missed out on a 10-bagger, or even a 100-bagger, because you cashed out too soon? While loss aversion is a common stumbling block for many retail investors a more profound regret often comes from prematurely selling winning stocks with solid returns (Shefrin, H., 2002). Keeping winning stocks for longer can improve your investment outcomes, but the question remains: Exactly how can portfolio investors and retail investors effectively retain their best ideas? How may they resist the temptation to sell too soon? Behavioral tools designed to assist investors in holding onto stocks for extended periods are not frequently discussed (Pompian, M.M., 2012). Yet, as the paper will demonstrate, such tools may be useful. Identifying the right behaviors can enable portfolio managers and retail investors to minimize portfolio turnover and maintain their grip on long-term compounding stocks. In fact, too much trading harms returns. In an extensive study examining the accounts of 66,465 households at a leading discount brokerage from 1991 to 1996, findings indicate a distinct disadvantage in performance for investors engaging in frequent trading. The research, conducted by Barber & Odean (2000), found that the most active traders earned an annual return of only 11.4%, markedly lagging behind the broader market's return of 17.9%. In contrast, the average household portfolio achieved a more competitive 16.4% annual return, with investments skewed towards volatile, smaller, and value-driven stocks, and experiencing a 75% portfolio turnover each year. The trend of high trading volumes correlating with poorer performance can largely be attributed to overconfidence among individual investors. These findings reinforce the idea that excessive trading can be counterproductive for long-term wealth creation. This data demonstrates that excessive trading puts wealth accumulation at risk (Barber & Odean, 2000). One groundbreaking concept in this field is Robert Kirby's "Coffee Can Portfolio" idea, introduced in his 1984 article (Kirby, 1984). Kirby championed a passive, buy-and-hold investment strategy, underscoring the power of long-term investment in carefully selected assets. His approach encourages purchasing high-quality compounding stocks and holding them for a significant duration, typically a decade or more. This strategy not only reduces the costs and risks associated with frequent trading but also leverages the potential of compound returns. In essence, Kirby's message to fund managers was to let their winners run. He argued that a portfolio, likened to a coffee can where valuable items are safely kept, could accumulate substantial returns over time as these long-held assets appreciate in value. This strategy relies not just on careful initial selection and patience, but also acknowledges the role of chance and luck in investing (Kirby, 1984). The essence of the 'Coffee Can Portfolio' lies in its insistence on long-term investment strategies. This approach is particularly beneficial for portfolio managers, as it encourages the retention of successful stocks over extended periods. This patience allows the fundamental investment thesis to fully materialize, which is a vital component of effective portfolio management. By advocating for longer holding periods, the 'Coffee Can Portfolio' contributes a unique viewpoint to the art of portfolio management, emphasizing the importance of time.

Research Objectives, Research Questions and Methodology: In the investment world, Eugene Fama and Kenneth French's research on style factors has been a catalyst for substantial innovation, especially in the development of various style-oriented smart-beta Exchange-Traded Funds (ETFs) (Tonini, N., 2018). These Fama-French factors focus on identifying market trends and characteristics such as size, value, and profitability, which guide investors in making more informed decisions (Bolognesi, E., 2023). However, it its useful to understand that the 'Coffee Can Portfolio' concept represents a distinct departure from these principles. Rather than being a specific style factor, the 'Coffee Can Portfolio' is an investment philosophy that emphasizes the long-term benefits and challenges of compounding.

Long-term compounding builds on the advantages of holding on to investments , highlighting a growth-oriented approach to stock selection but also a behavioral aspect, that contrasts with the more immediate, trend-focused strategies informed by Fama-French factors, although quality and momentum also are inherent within the DNA of the Coffee Can Portfolio (Cakisi, N., 2015). In this paper, cases of mutual funds and investors who held their stocks for extended periods are explored, ranging from a decade to an astonishing 80 years. Research is explored that focus on holding on to winning stocks, and rationales from behavioral finance such as loss aversion and the disposition effect are examined. The paper studies the Coffee Can Portfolio concept in retail investing, in fund manager selection and its implications for transaction costs, etc. The goal of the paper is to place the Coffee Can Portfolio theory in a broader context of academic literature for portfolio managers, exploring its historical evolution, associated financial risk considerations, and guidelines for investors. The article seeks to bridge the gap between theoretical investment strategies and real-world portfolio management practiceson what is needed for portfolio managers to stay committed to their bets for longer. Through this literature review, the paper explores arguments in favor and against long holding periods.

The research objectives of the paper are the following

To analyze 'Coffee Can Investing' in historical and contemporary contexts: To evaluate its merits by reviewing, assessing and describing past examples of investors exercising long holding periods, but also examining examples of long-term compounding stocks held over decades.

To understand the behavioral aspects of using a Coffee Can Portfolio investment approach: To investigate the behavioral finance factors of long holding periods, and the impediments to compound returns, such as the interplay with the disposition effect and loss aversion preventing portfolio managers from holding their high conviction bets for longer.

To connect theory with practical application: To position 'Coffee Can Investing' in a broader contemporary investment framework, to explore its relationship with asset management concepts such as transaction costs, diversification, correlation among assets, and fund manager selection.

To deliver on these objectives, the paper poses two research questions

Q1: *What insights can modern investors gain from historical cases of long-term stockholding informed by Robert Kirby's 'Coffee Can Portfolio'?*

Q2: *How does 'Coffee Can Investing' align with current risk management strategies used by asset managers, and what benefits and drawbacks appear from very long holding periods in today's markets?*

The research methodology includes

Literature Review: A review of recent portfolio management literature, financial journals, and investing books. This review assesses and describes the 'Coffee Can Portfolio' concept and its implications for long-term holding strategies (Snyder, H., 2019).

Case Study Analysis: Examination of real-world instances of 'Coffee Can Investing' will offer practical insights into the application of this investment philosophy and its outcomes (Yin, 2017).

Behavioral Finance: Application of behavioral finance theories to understand the psychological factors influencing portfolio management, especially in the context of long holding periods.

Comparative Analysis: Comparing 'Coffee Can Investing' with other investment strategies in terms of risk management and transaction costs, in order to evaluate the merits and pitfalls of relying on this investment approach in portfolio management (Collier, D., 1993).

Interdisciplinary Analysis: An interdisciplinary research approach is used, that includes a broad review of recent portfolio management literature, financial journal articles, business reports, business and investing books, and materials from selected mutual funds.

The materials create a contextual background, ensuring a broad tapestry and a well-rounded ‘latticework of mental models’ that deepen the understanding of the coffee can portfolio approach and long holding periods (Munger, 1994; Bowen, 2009; Tranfield et al., 2003).

Part II: Discussion & Literature Review

The "Coffee Can Portfolio" Defined: The arrival in portfolio management theory of the Coffee Can Portfolio concept demonstrates that some of the most effective strategies can arise in unexpected ways, akin to the accidental discovery of penicillin. This concept's origins lie in a single retail investor's unique approach, highlighting the potential of contrarian strategies.

In the 1984 article in the Journal of Portfolio Management, Robert Kirby, one of the founders of Capital Guardian Trust, describes how he in the 1950s worked as a professional investment advisor, underwent a transformative experience, reshaping his investment philosophy. One of Kirby's clients, a married couple, sought his expertise for managing their portfolios. Over the years, Kirby had provided them with a series of stock recommendations, and guided them on when to buy and sell. However, a twist in the husband's investment approach led to a revelation (Kirby, 1984). The husband faithfully followed Kirby's 'buy' recommendations, investing $5,000 USD in each stock. Yet, when it came to Kirby's 'sell' recommendations, he executed them only in his wife's portfolio, leaving his own portfolio untouched. Years later, after the husband had passed away, the wife stumbled upon a box of stock certificates that she brought to Kirby's attention. To his astonishment, Kirby's assessment of the portfolios revealed a staggering contrast. While some holdings had dwindled to $2,000, several had ballooned to over $100,000. Remarkably, one stock, initially a modest investment in Haloid Photographic, had endured and skyrocketed to more than $800,000. Haloid would later become known as Xerox, famed for its iconic photocopier (Kirby, 1984).

This unexpected discovery prompted Kirby to pen the 1984 article in the Journal of Portfolio Management, entitled "The Coffee Can Portfolio". Kirby's findings challenged prevailing beliefs about the necessity of frequent portfolio rebalancing. Kirby referred to his investment strategy as the "Coffee Can Portfolio," drawing an analogy to a past practice among gold miners, where miners would store their valuable items in a coffee can, and hide it under their bed (Mayer, C., 2015). This method, free from any transaction or administrative expenses, meant that the can's worth depended entirely on the contents placed inside it at the outset. It resembled the coffee can used by gold miners to store their valuables, which kept successful gold miners from trading their mining contracts for another contract at the local bar, which significantly increased their chances of striking gold. The parallel being that Kirby found that as a money manager he often encountered investment opportunities that seemed promising over a three-year period, yet he harbored significant uncertainties regarding their performance in the shorter term, particularly within six months (Kirby 1984). The concept of a "Coffee Can Portfolio" potentially outperforming a portfolio actively managed by the same investment team, at least over a certain period, is logically sound.

Consider creating a new $100 million common stock portfolio. A typical fund manager would diversify this sum into about fifty different investments, each making up 2% of the total fund. If this portfolio were then left untouched for some time, certain key factors come into play. Firstly, the maximum loss from any single investment would be limited to 2% of the total fund. Secondly, the upside from any investment is uncapped, as there would be no active management to enforce diversification rules or limit exposure to a specific company or industry (Kirby 1984). Kirby posited that a long-term investment approach could lead to substantial gains for single stocks in the portfolio, given that they were allowed by a hands-off strategy to run their course. The notion of a do-nothing philosophy was contrarian in a time of popular active trading practices and portfolio rebalancing.

The Coffee Can Portfolio concept is simple; it highlights the unpredictability of winning stocks . A similar emphasis on unpredictability is highlighted by Malkiel's "A Random Walk Down Wall Street," that argues that stock market prices evolve according to a random walk and are therefore inherently unpredictable, making it challenging to consistently outperform the market through short-term trading (Malkiel, 1974). The Coffee Can Portfolio theory also highlights the value of allowing investments to mature without constant interference. Kirby's article's core insight was not solely about the virtues of patience and long holding periods; it highlighted the unexpected benefits of minimal trading. As he succinctly summed up, sometimes "the best action in investing is inaction" (Kirby 1984).

Portfolio Rebalancing and the Coffee Can Portfolio: Rebalancing policies are a standard practice among portfolio managers (Sun, W., 2006). Portfolio rebalancing is the periodic realignment of asset allocation in a portfolio to maintain the desired risk-reward balance, and rebalancing strategies may be rules-based, with more advanced methods involving intricate calculations. The Coffee Can Portfolio strategy advocates for intentionally avoiding rebalancing. This method emphasizes the initial effort in carefully selecting stocks, requiring deep research and understanding of both broad megatrends and specific sector trends that could drive earnings growth. This equates to a contrarian approach, akin to observing a physics experiment with its inherent chaotic and stochastic behaviors, where the portfolio's trajectory is left to unfold organically over time. Imagine a concentrated portfolio of 35 carefully researched stocks left untouched for 50 years, akin to observing 35 balls rolling on 35 different tables. Each ball's motion, while seemingly random, is determined by complex dynamics, and initial conditions. However, unpredictable external factors introduce stochastic elements, making each ball's path unique and unpredictable. The analogy illustrates the complexity and variability inherent in a non-rebalanced investment portfolio. Each stock will behave differently, and subsequently, each Coffee Can Portfolio will have a different trajectory, leading to varied investment outcomes. A hands-off approach lets the portfolio naturally evolve over a decade or more will be influenced by factors like portfolio composition, the ability of the companies to profit from underlying industry trends, and management's skill in capital allocation such as share buybacks, dividend policy and acquisitions.

Consider also the element of chance and unpredictability concerning the so-called "serial acquirers" or "roll-ups" that may diversify into new industries by acquiring promising firms by reinvesting their free cash flow (Hakansson, G., 2022).

However, as illustrated by the case study of the Voya Fund—a hands-off portfolio—running a fund without new investments may cause it to miss out on significant economic movements, such as the ICT revolution or the rise of artificial intelligence, which greatly impact sectors like Information and Communications. Also industry consolidation may vary across sectors, with some industries like container shipping experiencing commoditization (Reinhardt, F. L., 2012). Other sectors such as the cigarette industry, has seen consolidation leading to dominant players and high profit margins. These types of industry changes highlight the unique characteristics of each investment portfolio under the Coffee Can strategy.

The Coffee Can Portfolio as a Crutch: Finding 100-baggers and Holding On: Nevertheless, the "Coffee Can Portfolio" concept, built on the principles of long-term investment, has experienced a resurgence and positive connotation in recent years. The American author and fund manager, Christopher Mayer, wrote an entertaining and insightful book on how to achieve a 100X return in the stock market (Mayer, 2015). Mayer asks investors to seek out "100-baggers" — companies that could potentially return 100 times their initial investment, and once they have found them, the Coffee Can Portfolio approach can be used as a crutch, when investors are tempted to sell (Mayer, 2015). Mayer's strategy for achieving a 100X return is seemingly straightforward. He advises selecting stocks with promising fundamentals, such as low P/E multiples and high return on invested capital (ROIC).
Mayer also investing alongside "owner-operators," leaders like Bernard Arnault at the helm of Louis Vuitton Moët Hennessy, or Warren Buffett, the legendary chairman of Berkshire Hathaway (Mayer, C., 2015). Both are deeply invested in their businesses' long-term success as major shareholders. Mayer highlights the potential of small to mid-cap stocks as well, as they typically have more room to compound their returns than large cap companies. Apart from Mayer's book on 100-baggers, another recent book, "Coffee Can Investing: The Low-Risk Road to Stupendous Wealth" introduced the Coffee Can Portfolio to India (Mukherjea *et al*., 2018). Like Mayer, the authors suggested straightforward filters to identify high-quality stocks and advised to leave the portfolio untouched for a decade. These filters include consistent sales growth, and a respectable return on capital employed (ROCE). Once the stocks with this potential are chosen, the key is commitment. Investors must commit, and resist the temptation to trade frequently or panic-sell during market lows.

If you choose this investment approach, it is important to see time as your friend. You might find it helpful to write a letter to your future self, explaining why you decided to invest in this stock today. Keep this letter and read it whenever you feel tempted to sell.

Harnessing Winning Stocks in the S&P 500 from 2003- 2023: Let us look at cases across different time periods, a twenty year period and a fifty year period The stocks, representing diverse sectors, illustrate the profound return potential of long-term investment in high-performing companies. The Coffee Can Portfolio philosophy is exemplified in the performance of these high-performing stocks, if the companies were identified and held for this entire period. Over the past two decades, several winners have outperformed their benchmarks, and generated impressive wealth for the shareholders, as shown in the table below (Voronoi, 2023).

The returns of stocks in table 1 like Apple and Monster Beverage, transcending 59,000%, are testament to the potential of winning stocks kept for decades. These companies, spanning various sectors from Information Technology to Health Care, have not only withstood market fluctuations such as the 2003 bear market, the 2008-09 Great Financial Crisis and the COVID-19 pandemic, but also capitalized on trends. It is for this reason, that the Coffee Can Approach may hold significant wealth-creating power for those that can learn to buy right, and hold on.

Siegel's Surviving Winners From the S&P 500 (1957-2012): The concept of long-term investment gains credence when examining the returns of the original and surviving S&P 500 firms from 1957 to 2012 (Siegel, J., 2014). This period, encompassing over half a century, provides a robust testament to the enduring value of established corporations in a diverse array of sectors. The following table 2, from Wharton Professor Jeremy Siegel's 2014 classic, "Stocks for the Long Run", showcases the 20 best-performing firms from the original S&P 500 list, highlighting their returns and the surprising accumulation of wealth from a modest initial investment (Siegel, J., 2014). The longevity and consistent performance of the twenty best surviving S&P 500 companies offers some insights for investors. Their performance underline that sometimes the tried and established companies continue to outperform. But holding on to this group would have required principles such as patience, resilience in diverse market conditions, and the foresight to invest in firms with durable competitive advantages. The data presented in the table illustrates the strong market-beating returns offered by these companies if held over 50 years.

For instance, a mere $1 in what is today deemed a unethical "sin stock", Philip Morris, invested in 1957 would have burgeoned to over $19,000 by 2012, a clear demonstration of the potential of compound returns and the benefits of holding onto successful investments. This table exemplifies the core philosophy of the Coffee Can Portfolio, that long-term investment in high-quality stocks can yield exceptional returns, if you identify that particular company and hold on to it. Such findings are useful for investors seeking to balance risk and reward, highlighting the potential advantages of a diversified, long-term approach in the stock market (Siegel, J., 2014). Of course, what is also interesting is the comparison of the 1957-2012 winners with the 2003-2023 winners; in the latter period, the presence of technology companies appears, and companies that have ridden new societal trends. Thus, simply keeping the 1957 winners would imply that a Coffee Can Portfolio would miss out on new trends, a point to be explored again when the paper discusses the Voya Fund.

Buffett's Billion-Dollar Sip: 25 Years of Holding Coca-Cola: Thousands of investors study the quarterly holdings of Berkshire Hathaway upon disclosure. A significant contributor to Warren Buffett's wealth has been the core positions in Berkshire's portfolio. By keeping two long-term holdings for more than 25 years, Buffett has benefitted from both capital gains and dividend flows from Coca-Cola (NYSE: KO) and American Express (NYSE: AXP).

Table 1. S & P 500 Best Performing Stocks - Last 20 Years (November 2003-November 2023

Rank	Total Return (%)	Name	Ticker	Sector
1	59,918%	Apple	AAPL	Information Technology
2	59,299%	Monster Beverage	MNST	Consumer Staples
3	28,712%	NVIDIA	NVDA	Information Technology
4	18,221%	Intuitive Surgical	ISRG	Health Care
5	16,299%	Booking Holdings	BKNG	Consumer Discretionary
6	13,442%	Netflix	NFLX	Communication Services
7	9,403%	Old Dominion Freight Line	ODFL	Industrials
8	7,356%	SBA Communications	SBAC	Real Estate
9	6,592%	Copart	CPRT	Industrials
10	6,296%	Regeneron	REGN	Health Care
11	5,314%	Amazon	AMZN	Consumer Discretionary
12	4,981%	West Pharmaceutical Services	WST	Health Care
13	4,767%	Tyler Technologies	TYL	Information Technology
14	4,413%	O'Reilly Automotive	ORLY	Consumer Discretionary
15	3,962%	Vertex Pharmaceuticals	VRTX	Health Care

(Voronoi, 2023)

Table 2. Returns of the 20 Best Performing Original and Surviving S&P 500 Firms 1957-2012

Rank	1957 Name	2012 Name	Ticker	Return	Sector	Accum of $1
1	Philip Morris	Altria Group Inc.	MO	19.47%	Consumer Staples	$19,737.35
2	Abbott Labs	Abbott Labs	ABT	15.18%	Healthcare	$2,577.27
3	Coca-Cola	Coca-Cola Co.	KO	14.68%	Consumer Staples	$2,025.91
4	Colgate-Palmolive	Colgate-Palmolive Co.	CL	14.64%	Consumer Staples	$1,990.55
5	Bristol-Myers	Bristol-Myers Squibb Co.	BMY	14.40%	Healthcare	$1,768.50
6	Pepsi-Cola Co.	Pepsico Inc.	PEP	14.13%	Consumer Staples	$1,547.44
7	Merck & Co.	Merck & Co. Inc. New	MRK	13.95%	Healthcare	$1,419.26
8	Heinz	Heinz H J Co.	HNZ	13.80%	Consumer Staples	$1,317.34
9	Melville & Co.	CVS Caremark Corp.	CVS	13.65%	Consumer Staples	$1,224.81
10	Sweets Co.	Tootsie Rolls Inds.	TR	13.57%	Consumer Staples	$1,178.92
11	Crane Co.	Crane Co.	CR	13.57%	Industrials	$1,178.44
12	Hershey Foods	Hershey Co.	HSY	13.53%	Consumer Staples	$1,154.02
13	Pfizer Inc.	Pfizer Inc.	PFE	13.38%	Healthcare	$1,072.61
14	Equitable Gas	EQT Corp.	EQT	13.16%	Energy	$964.47
15	General Mills	General Mills Inc.	GIS	13.12%	Consumer Staples	$947.03
16	Oklahoma Nat Gas	Oneok Inc. New	OKE	13.04%	Utilities	$907.42
17	Procter & Gamble	Procter & Gamble Co.	PG	13.00%	Consumer Staples	$890.97
18	Deere & Co.	Deere & Co.	DE	12.86%	Industrials	$833.05
19	Kroger Co.	Kroger Company	KR	12.70%	Consumer Staples	$768.88
20	McGraw Hill Co.	McGraw Hill Co. Inc.	MHP	12.58%	Consumer Discretionary	$725.52

(Siegel, J., 2014)

Berkshire's portfolio; by keeping two long-term holdings for more than 25 years, Buffett has benefitted from both capital gains and dividend flows from Coca-Cola (NYSE: KO) and American Express (NYSE: AXP). In fact, Warren Buffett's Berkshire began buying shares of beverage giant Coca-Cola (NYSE: KO) in 1988 and now owns more than 400 million shares. That's worth nearly $23 billion at today's price -- nearly a tenth of the company's total market cap of nearly $257 billion as of February, 2024 (Sabil 2022).

In a public speech about Coca-Cola, Buffett highlighted the importance of holding on to a stock through thick and thin. As Buffett explained: *"In 1919, Coca-Cola had its IPO, stocks were sold at $40/share to investors. In the first year, it went down -50%, but if you bought one share, and reinvested dividends that would have become $5 million USD. Today, having seen the end of the First World War, the 1929 Crash, the Great Depression, the Second World War, the Moon landing, the end of the Cold War, the rise of China, that same one stock certificate in Coca-Cola originally worth $40 would now be worth $18 million thanks to capital gains and reinvested dividends. Basically, if you are right about the "what", the "when" matters a lot less"*(Buffett, W.).

Buffett's narrative emphasizes a profound investment lesson: the temporal aspect of 'when' to invest becomes inconsequential when the fundamental 'what'—the choice of investment—is astutely discerned, and time is permitted to let the investment unfold with a combination of capital gains and the compounding effect of reinvested dividends. The principle of long holding periods stems also from Warren Buffett's admiration for Philip Fisher, (Fisher, P., 1958; Lynch, P. S., 2005).

Later, the influence of Charlie Munger significantly changed Berkshire's investment strategy to one that emphasized strong brands, return on invested capital as a key criterion, and long holding periods, and Buffett recently praised Munger as the architect of Berkshire Hathaway (Berkshire Hathaway, 2024). Recall that the younger Buffett focused entirely on deep value investing, finding the so-called "cigar butt" stocks, where intrinsic value could be uncovered, and a stock would be sold when a fair value had been reached; here the holding period was determined by when a stock had reached a fair value, often asses by price-to-book value. The longevity of Buffett's investment in Coca-Cola and American Express authenticates that one of the world's most admired fund managers is in effect, practicing Coffee Can investing, that is, buying right and holding on – and on. In fact, the later Buffett wrote this in his 1990 letter to shareholders: *"Lethargy bordering on sloth remains the cornerstone of our investment style!"*(Berkshire Hathaway 1990).

Buffett and Munger's holding company has been a phenomenal compounding machine, if kept for decades.

The company's per-share market value has seen a compounded annual gain of 19.8% from 1965 to 2023, with an overall increase of 4,384,748% from 1964 to 2023, compared to S&P 500's overall increase of 31,223% and a compounded annual gain of 10,2% over the same period (Berkshire Hathaway, 2024). This impressive performance exemplifies the power of strategic long-term investments, aligning well with the Coffee Can Portfolio approach, which emphasizes holding onto winning stocks. This comparison with Berkshire Hathaway's success highlights the potential of patient, focused investing over frequent trading, especially in the context of the S&P 500 from 2003 to 2023. Interestingly, not just Buffett succeeded in building wealth by holding on to winning investments. Also the famous Astor family, a prominent American real estate dynasty in the 19th and 20th centuries, echoed the principles of the Coffee Can Portfolio through their real estate strategies, essentially never selling a property. Having built their fortune initially in the fur trade, they became some of the earliest significant real estate investors in New York City. They are reputed to have steadfastly held onto their properties, opting to navigate financial downturns by maintaining their holdings. John Jacob Astor, a family patriarch, reportedly lamented only his missed opportunities to acquire more land during his lifetime. This method highlights a commitment to long-term investment, valuing patience and strategic foresight as key elements of success (CBS News; Wilson, D., 1993).

DSV's Meteoric Rise: A Case Study in Acquisitions and Long-Term Compounding: The remarkable ascent of DSV, a Danish logistics company, also exemplifies the power of long-term compounding in the stock market, and for Danish investors that used a Coffee Can Approach, phenomental returns have been generated over the years. Transforming from a modestly priced stock to a major industry player, DSV's stock price surged from 0.96 DKK to 1,260 DKK, marking an average annual return of 21.9% before dividends (Jackson, T., 2024). This growth trajectory, fueled by strategic global expansion and acquisitions, highlights the profound impact of sustained, strategic decision-making in corporate growth and investor returns. DSV achieved a 1,300-fold increase in stock price, making it one of Denmark's best performing stocks of all time alongside Novo Nordisk. This growth established DSV as a top player in transport and logistics [1]. DSV's evolution into a logistics behemoth is a compelling case study in strategic growth through mergers and acquisitions, underscoring the potential for long-term investment in companies that excel at strategic acquisitions and integration, now known as a strategy of investing in "serial acquirers" (Hakansson, G., 2022). Since its inception in 1976 by nine independent Danish haulers, DSV has embarked on a journey of exponential growth, leveraging strategic acquisitions to expand its global footprint and diversify its service offerings. Key acquisitions that have been pivotal in DSV's ascent include the purchase of Samson Transport in 1997, which marked its first significant step towards becoming a Pan-European entity. The acquisition of DFDS Dan Transport Group in 2000 quadrupled DSV's transport and logistics activities and expanded its road transport services across Scandinavia, the UK, the Baltics, and Europe, while also securing a comprehensive logistics setup and a key position within airfreight and overseas transports to the US and Asia Pacific markets[2]. DSV's methodical strategy of acquiring companies that complement and expand its existing services has not only led to significant growth in its operational capabilities but also in its market value. The company's ability to seamlessly integrate these acquisitions has been a key factor in its success, allowing for the efficient scaling of its operations worldwide while maintaining a focus on profitability and shareholder value. With more than 75,000 employees and a presence in over 80 countries, DSV's story is a testament to the merits of spotting and investing in companies skilled at both acquisition and integration. This serial acquirer behavior, coupled with an asset-light financial strategy that minimizes fixed costs and enhances flexibility in response to market fluctuations, has enabled DSV to not only survive but thrive in the highly competitive and ever-evolving logistics sector. Once again, this demonstrates that identifying this type of stock early and holding it in a 'coffee can' portfolio could have generated substantial wealth. Another example of long holding periods can be found not just at the stock level, but at the fund level. The Voya Corporate Leaders Fund illustrates how adhering to a long-term investment strategy can sustain success for nearly a century.The paper turns to this example next.

The Voya Corporate Leaders' Trust Fund - No Stock Buys Since 1935: Introducing the Voya Fund as a case study provides a compelling counter-narrative to the investment paradigm of portfolio rebalancing, although the case also shows the pitfalls of Coffee Can Portfolio investing at the asset management level. The Voya Corporate Leaders' Trust Fund has had no new bets in 80 years (Voya Investment, 2024). In fact, it began with a succinct mandate; the founders of the Voya Corporate Leaders' Fund acquired shares of 30 companies in 1935. The purchases were initiated then after thorough deliberation on the best stock prospects. The founders subsequently declared that these shares were unsellable. The Voya Corporate Leaders' Trust Fund portfolio contains blue-chip companies such as railroad company Union Pacific, the chemicals company, Linde PLC, oil majors Exxon Mobil (NYSE: XOM) and Chevron (NYSE: CVX), and consumer company, Proctor & Gamble (NYSE: PNG). Furthermore, it possesses stocks emergent from mergers and spinoffs, such as Berkshire Hathaway, traceable back to an original position in Santa Fe Railway (Voya Investment, 2024).

The fund, with its 21 American blue chip stocks, admits a drawback in its Coffee Can Portfolio strategy: missing out on trend-driven gains like the rise of technology or weight-loss drugs. The managers recently highlighted, *"Conversely, the underweight in communication services had a negative impact. Key detractors for the period included not owning Alphabet Inc., Eli Lilly and Co. and NVIDIA Corp"* (Voya Investment, 2024). Despite this, its performance still is a contrarian case thatto conventional portfolio management, showing the strength of a long-term, unchanging investment approach. Yet, future underperformance could come from its limited exposure to fast-growing sectors like tech and AI. Indeen, the Voya Fund has underperformed over a 10-year

[1]https://www.nordnet.dk/blog/thorleif-jackson-aktieanalyse-af-dsv/

[2]DSV. "History – Origin, Mergers & Acquisitions." DSV, www.dsv.com/en/about-dsv/history. Accessed 9 Feb. 2024.

Figure 1. Voya Corporate Leaders Trust Fund – Top 10 Holdings (%)

Top Holdings (%)	
Union Pacific Corporation	34.43
Berkshire Hathaway Inc.	14.59
Exxon Mobil Corporation	12.35
Marathon Petroleum Corporation	12.14
Linde PLC	9.63
Chevron Corporation	4.20
Procter & Gamble Company	3.61
Comcast Corporation	2.22
DuPont de Nemours, Inc.	0.99
NiSource Inc	0.94

Excludes investments made with cash collateral received for securities on loan. Holdings are subject to change.

(Voya Investment, 2024)

period, with a CAGR of 9.84% compared to 11.91% for the S&P 500[3]. This unique story of the Voya Fund underscores the dilemmas of the Coffee Can Portfolio strategy. A conclusion may be that as innovation and technological change drives earnings growth in new growth sectors, the static nature of a Coffee Can Portfolio approach might struggle to keep pace with these structural trends, if the originally chosen companies have not invested into these trends or acquired novel innovative companies, keeping the original company's competitive advantage fresh and up-to-date. Furthermore, the resilience of the Coffee Can Portfolio strategy is now significantly challenged by the rapid turnover of stocks among asset managers.

The Impact of Increasing Turnover Ratios on Investment Strategies: As new companies emerge and old companies fade away, the speed of change accelerates, leading to S&P 500 companies remaining in the index for progressively shorter periods (InnoSight, 2018). Winners simply do not stay winners like they used to. This raises questions about the adaptability and sustainability of a static long-term investment approach. The era of companies maintaining their excellence over extended periods seems to be dwindling.

Based on historical data, companies in the 1950s typically remained in the S&P 500 for about 60 years. As of 2024, this average tenure has significantly decreased to 20 years, reflecting the accelerated pace of market and technological changes (InnoSight, 2018). Does this mean that fund managers no longer keep their winners in their portfolios for extended periods? The increasing turnover suggests that fund managers rarely hold stocks for decades, potentially rendering the Coffee Can Portfolio concept a relic of the past. However, there are still good arguments for why holding on to winning stocks may improve overall fund performance. It is important to consider the potential negative impacts of frequent trading on mutual fund performance. For instance, a study by Champagne, Karoui, and Patel titled "Portfolio Turnover Activity and Mutual Fund Performance," published in Managerial Finance in 2018, explores how portfolio turnover affects fund performance (Champagne *et al*., 2018). Their findings suggest that high portfolio turnover, often indicative of shorter investment holding periods, can be detrimental to value and highlight weaknesses in fund management. This study underscores the potential negative impacts of frequent trading in mutual funds. Moreover, Carhart's study on the performance persistence of mutual funds indicates that funds with high expenses and high turnover tend to underperform, suggesting that a strategy focused on holding long-term positions can be more beneficial (Carhart, 1997). Adopting a long-term view offers cost savings and improved performance. Despite market volatility and increased turnover challenging the Coffee Can Portfolio, research consistently shows that long-term strategies outperform frequent trading, suggesting a likely need to reconsider investment approaches, not least because long-term holding periods enables asset managers and retail investors to capture the momentum factor, which the paper turns to next.

The Momentum Factor and the Coffee Can Portfolio: Kirby's Coffee Can Portfolio theory, rooted in the philosophy of long-term buy-and-hold investing, surprisingly complements observations made by Nobel Prize winners Eugene Fama& Kenneth French about momentum in stock performance (Fama & French, 2008). Resisting the urge to frequently trade or adjust portfolios allows investors to leverage the momentum factor, enabling companies with unique competitive advantages, superior capital allocation and historically strong stock performances to potentially continue their upward trajectory. As Kirby's experience demonstrates, an approach that minimizes trades, may serendipitously capitalize on the momentum anomaly, thereby challenging the strictest interpretations of the efficient market hypothesis. Fama and French, the originators of the efficient market hypothesis, later recognized the impact of momentum in the market. They stated, "he most prominent market irregularity is momentum... stocks that underperformed in the past year usually continue to underperform in the subsequent months, while stocks that had high past returns typically maintain those high returns in the future" (Fama& French, 2008). However, simply identifying a momentum stock may not provide sustained outperformance, as asset managers, we need to know when to "let the profits run", and in fact, Jesse Livermore's principles of letting profits run also resonate with the long-term holding strategy of the Coffee Can Portfolio.

Rethinking Livermore's Investment Wisdom: A Deep Dive into 'Cut Your Losses and Let the Profits Run' Strategy: Jesse Livermore, an iconic figure in the world of stock trading, left an indelible mark on investment strategies with his famous mantra, "cut your losses and let the profits run." Livermore's approach, celebrated for its emphasis on swift decision-making and active management, is detailed in Richard Smitten's book, Jesse Livermore: World's Greatest Stock Trader (Smitten, R., 2001). Livermore's philosophy advises investors to quickly sell underperforming stocks to protect capital and to give profitable trades the space to grow, addressing the psychological challenges of fear of loss and the urge to cash in on gains prematurely. Despite the ups and downs of his career, Livermore's core principle of minimizing losses while maximizing gains remains a cornerstone of effective portfolio management, advocating for a disciplined trading approach that navigates the complex interplay of positive expectations and rational judgment. Interestingly, this wisdom directly connects with the concept of coffee can investing, aiming for "Positive Abnormal Returns" by holding

3 https://individuals.voya.com/document/fund-fact-sheet/voya-corporate-leaders-trust-fund-fact-sheet.pdf

onto companies that outperform both the market return and the anticipated return on investment. It underscores the value of patience and long-term perspective in stock investing, paralleling Livermore's advice on allowing winning trades room to flourish. Such strategies highlight the importance of embracing a long-term outlook, reinforcing Livermore's legacy as a pioneer. Echoing Livermore's strategies, William J. O'Neil and other prominent figures in stock investing have highlighted the significance of aligning trades with market trends, investing in stocks with solid fundamentals, and favoring those that achieve new highs. O'Neil, emphasizing the need for historical analysis, stated, "the first step in learning to pick stock market winners is for you to examine leading winners of the past to learn all the characteristics of the most successful stocks" (O'Neil, 2009). Thus, this approach, along with the principles of Coffee Can Portfolio investing, focuses on the meticulous selection and retention of high-performing quality stocks to secure superior market returns.

Moreover, the investment philosophies of Livermore, O'Neil, and others, validated by market analysts like Charles Dow and Philip Fisher, share a common goal of minimizing losses and maximizing gains through strategic trade alignment, investment in high-quality stocks, and the patience to hold onto winners (Fisher, P., 1958). These strategies, rooted in a deep understanding of market movements and investor psychology, continue to guide portfolio managers today. However, recent studies show that while Livermore's principle might sound intuitive, its application in contemporary markets may not consistently yield desired results, highlighting the need for more adaptive strategies (Baur & Dimpfl, 2023). This evolution suggests that Livermore's methods, though historically significant, may need reinterpretation.

The Behavioral Aspects of the Coffee Can Portfolio: Loss Aversion and the Disposition Effect: The Coffee Can Portfolio approach challenges conventional trading behaviors, particularly addressing loss aversion and the disposition effect in behavioral finance. Loss aversion is a cognitive bias where individuals disproportionately prefer avoiding losses to acquiring equivalent gains, making the emotional impact of a loss significantly more profound than that of a gain. This concept, foundational to prospect theory developed by Daniel Kahneman and Amos Tversky, demonstrates that people often make decisions based on the fear of losing rather than the potential for gain. Kahneman's seminal work, "Thinking, Fast and Slow," further explores how our intuitive, quick-response System 1 and the slower, more analytical System 2 affect our perception of loss and gain, underscoring the pervasive influence of loss aversion in financial decisions (Kahneman, D., 2011).

Expanding on this, the disposition effect is a behavioral bias where investors are prone to selling assets that have appreciated in value prematurely while holding onto assets that have depreciated, often due to emotional biases and a reluctance to accept losses. Philip Fisher had strong opinions on this, exemplified by this quote: *"As a stock rises to, say, 50 or 60 or 70, the urge to sell and take a profit now that the stock is high becomes irresistible to many people. Giving in to this urge can be very costly. This is because the genuinely worthwhile profits in stock investing have come from holding the surprisingly large number of stocks that have gone up many times from their original cost."*[4] This tendency to lock in a profit not only contradicts optimal investment strategies but also leads to adverse financial outcomes by preventing investors from realizing potential gains from assets that may grow much further (Tvede, L., 2012).

The effect highlights the critical need for investors to understand and mitigate their biases, emphasizing the complexity of financial decision-making and the importance of resisting impulsive actions driven by short-term market fluctuations. A study by Baur & Dimpfl (2023) specifically examined the performance of randomly selected portfolios of large US stocks, revealing that strategies advocating for "cutting your losses" consistently underperformed compared to the buy-and-hold approach during significant market events, including the 2008 Financial Crisis and the 2020 COVID outbreak. This evidence suggests that a nuanced understanding of market behavior and investor psychology, particularly in relation to the disposition effect, is crucial for making informed long-term investment decisions.

The Coffee Can Portfolio method advocates for extended investment periods to mitigate behavioral biases like loss aversion and the disposition effect. Focusing on companies with solid long-term growth records and adhering to a 'hold no matter what' approach leverages the benefits of compounding, reducing the impact of daily market fluctuations on investment decisions.This strategy encourages prioritizing long-term growth over short-term gains, steering clear of reactive selling (Kirby, R., 1984). It acts as a safeguard against impulsive behaviors, fostering a strategic mindset that navigates market dynamics and psychological factors, particularly in volatile and fast-paced investment periods.

Optimizing Returns and Manager Selection: Insights from Michael J. Mauboussin: One of the leading writers on return on invested capital (ROIC), wide moats, and stock outperformance is Michael J. Mauboussin, a long-time analyst at Credit Suisse. In his 2011 paper on the Coffee Can Portfolio, he emphasized that many investors, both individuals and institutions, often make well-intentioned but value-diminishing changes to their portfolios. These decisions fall into two categories: reallocating portfolio weightings among different asset classes and switching active managers within the same asset class. Such mistakes are rooted in factors such as the use of overly short time horizons, failure to recognize mean-reversion in returns, a desire for job security, and succumbing to recency bias, which places undue emphasis on recent events (Mauboussin, 2011).

Mauboussin employs counterfactual analysis to ascertain the impact of these decisions, asking questions like, what would our returns have been if we had stuck with the original manager A instead of hiring the new manager B? By doing so, this questioning acknowledges that the act of hiring or firing a manager can influence returns, as well as the impact of buying or selling an asset class on its returns.
He concludes that even professional invetors struggle to make the best decisions when it comes to portfolio performance.

[4]https://www.investopaper.com/news/best-philip-fischer-quotes/

Excessive activity often leads to value erosion; thus, he advocates for a more measured approach. Mauboussin questions the industry's standard evaluation period of three years for manager assessment. Instead, he suggests that, in reality, a much longer time horizon, possibly exceeding a decade is needed to confidently conclude whether a manager possesses skill and a superior investment processes, and not luck in his stock selection. However, such an extended time frame is often impractical (Mauboussin, 2011). Mauboussin's argument ultimately stresses the importance of longer time horizons and a stable approach in portfolio management to realize investment potential.

Part III: Practical Applicability

Can A Coffee Can Portfolio Approach Work in Today's Asset Management World: In exploring the applicability of the Coffee Can Portfolio, it is crucial to analyze how it measures up against current financial risk management strategies. The case above of the Voya Fund is one of the best examples of what that may look like in practice. The 'Coffee Can' portfolio theory offers a lens through which we can uncover some answers around the financial risk of long-term holdings. Juxtaposing the 'Coffee Can' concept with modern-day financial risk concepts highlights both synergies and tensions. At its core, financial risk denotes the possibility of monetary losses, and portfolio managers explore drawdowns and Value at Risk in extreme scenarios to stress test the asset allocation strategy chosen. Often, uncertainty prevents an investment from achieving its anticipated returns. This risk can emerge from various factors, ranging from market volatilities to economic downturns, geopolitical events, and beyond. The challenge lies in reconciling the Coffee Can Portfolio's long-term holding approach with these unpredictable risk factors. Addressing financial risk is pivotal for ensuring the long-term viability of an investment strategy, especially one as long-haul and extreme, as the 'Coffee Can' approach.

Kirby Cautions About The Practical Use In the Asset Management: Robert Kirby highlights two main challenges in implementing the Coffee Can portfolio strategy, which involves holding stocks for ten years without adjustment. Firstly, it will be hard to find buyers willing to wait a decade to assess the portfolio's value (Kirby 1984). The feature exceeds the career spans of many executives in asset management who may have changed jobs after a decade, and even some fund managers. But this could be done for certain pension fund bespoke mandates, as pension funds have longer time horizons. Secondly, Kirby highlights that all the costs lie at the outset of the fund with high upfront cost of hiring top-tier investment researchers for a long-term, one-off project (Kirby 1984). It would be prohibitively expensive, making it impractical in real-world fund management.

If we were to set up a strictly passive fund with no rebalancing, implementing such a special fund could be done with minimal effort, as a sort of side wagon to an existing fund run by an in-house team. These challenges underscore the need for doing things slightly differently, if adapting the approach to modern asset management to integrate the Coffee Can Portfolio strategy. While Kirby's insights shed light on the practical challenges of implementing a passive, long-term investment strategy like the Coffee Can Portfolio, evolving investment mechanisms such as ETFs are redefining the boundaries of traditional and passive investing strategies. Building on the concept of passive investing strategies, the study "The Active World of Passive Investing" by David Easley, David Michayluk, Maureen O'Hara, and Tālis J Putniņš offers a perspective on the evolving nature of exchange-traded funds (ETFs) (Easley, D. *et al*., 2021). The authors reveal that many ETFs, traditionally seen as passive investments, are increasingly being used actively either in form (aiming to generate alpha) or function (serving as components of actively managed portfolios). They introduce a new index to measure this activeness, uncovering that ETFs are becoming more actively managed investment tools. This shift has implications for the ETF market, including fee competition within the ETF space and across the broader investment management industry. The research suggests that the growing activeness of ETFs could alleviate concerns about their impact on price discovery in financial markets.

Portfolio Construction: Reflections on Diversification and Coffee Can Portfolios: Diversification serves as a fundamental principle in risk management. Diversification promotes the distribution of investments across various assets or asset classes (Markowitz,1952). The 'Coffee Can' investment philosophy presents a contrast to traditional diversification; it adopts a more passive, concentrated investment approach, allowing winning stocks to run their course, and successful holdings to shape the portfolio's performance over time. Diversification aims to mitigate the impact of any single underperforming asset, capitalizing on the fact that not all asset prices move in perfect correlation with one another. By balancing potential losses in certain areas with gains in others, diversification effectively reduces unsystematic risk.

From a diversification point of view, the Coffee Can Portfolio approach can lead to asset concentration risk when winning stocks take up a very large part of the portfolio. Several studies have shown that some concentration can lead to portfolio outperformance (Ivković, Z. el al., 2008) (Hagstrom, R., 2000). Evidently, integrating diversification into the 'Coffee Can' strategy is feasible; by starting with a varied set of stocks considering sector and industry diversification, risks may be mitigated when very long holding periods are implemented. The role of Value at Risk (VaR) in this context is crucial. VaR quantifies the prospective losses in an investment over a specific timeframe at a predetermined confidence level. By incorporating VaR in the portfolio design, investors can anticipate the potential risks of long holding periods, regardless of market conditions. A lack of diversification can escalate the risk of drawdowns, and a high VaR, particularly if the portfolio is heavy with stocks moving in unison. Investment banks use VaR modeling to prevent excessive exposure to correlated assets, and this approach is compatible with the 'Coffee Can' strategy, emphasizing the importance of diversification even in a static portfolio. This measure captures the worst expected loss under normal market conditions. By setting out the parameters at the outset in the portfolio design period, and examining VaR, a more sophisticated Coffee Can strategy can ascertain the potential risks of very long holding periods and model out portfolio evolution, offering insights into potential downturns.

Value at Risk (VaR) and the 'Coffee Can' Portfolio: A further question is whether the Coffee Can Portfolio is relevant and functional in the context of modern risk management practices and traditional portfolio management tools such as maximum drawdowns and Value at Risk (VaR). Recent studies, like those by Kuester, Mittnik, and Paolella, highlight the limitations of traditional VaR prediction methods. However, models such as extreme value theory and historical simulation offer promise (Kuester et al., 2006). Understanding these methods is vital for assessing the 'Coffee Can' Portfolio's risk profile, ensuring better risk management, and quantifying potential maximum losses. Despite seeming contradictory, the 'Coffee Can' strategy and diversification can coexist effectively. By applying VaR and embracing diversification during portfolio construction, the 'Coffee Can' strategy can better manage long-term investment risks, enhancing robustness against market volatility he 'Coffee Can' strategy can synergize with diversification when initiated with a varied set of promising stocks. Recall that extremely long holding periods necessitate in-depth research and possible sector and industry diversification at the outset when the portfolio is constructed. Investment banks, recognizing the potential pitfalls of correlated assets, extensively apply VaR modeling across their operations to preclude trading desks from unknowingly exposing the firm to a concentration of correlated assets. This cautionary approach adopted by investment banks resonates with the 'Coffee Can Portfolio strategy, emphasizing that even a portfolio designed to remain static over time cannot ignore the principles of diversification and risk assessment. A recent study on predicting Value at Risk (VaR) using NASDAQ Composite Index data shows that traditional approaches often fall short, but certain models such as extreme value theory show promise (Kuestner *et al*., 2006). This finding is crucial when assessing the 'Coffee Can' Portfolio's risk profile. Understanding these advanced VaR prediction methods helps gauge the long-term investment risks of a hands-off portfolio, ensuring better risk management strategies, andclear quantification of potential maximum losseswithin a specific timeframe are in place even for passive, long-term investment approaches like a 'Coffee Can' strategy, where assets are held over extended periods regardless of varying market conditions. By applying VaR, investors can better understand and prepare for the worst-case scenarios in their portfolios, but knowing limitations of VaR models is important, as it ensures a proper evaluation of risks within the 'Coffee Can' context.

The Usefulness of a Correlation Matrix: Investors may utilize a Correlation Matrix as an invaluable aid for diversification efforts when examining a Coffee Can Portfolio, facilitating the identification of non-correlated assets. Correlation is pivotal for diversification because it measures how different investments move in relation to each other. Low or negative correlations between assets can significantly reduce portfolio volatility and drawdowns, offering a buffer against market downturns. By exploring 5-year correlation statistics, investors can strategically select investments that offer mutual independence, thereby enhancing the portfolio's resilience against market volatility. This methodical approach allows for the construction of a diversified, robust long-term portfolio that is better equipped to withstand economic fluctuations and sector-specific downturns, contributing to a more stable investment journey (Portfoliovisualizer.com).

Part IV: Lessons Learned & Conclusions

Lessons Learned: A few key lessons emerge, offering valuable insights derived from the literature review, and the discussion on practical applicability.

Initial Stock Selection is Crucial: The 'Coffee Can Portfolio' strategy underscores the importance of rigorous initial stock selection. Since the strategy involves holding onto stocks for an extended period, ensuring that the portfolio consists of robust and reliable stocks from the outset is paramount.

Patience is Central to Compounding: Embrace patience and allow time to amplify returns, leveraging the power of compounding Seek high-potential, long-term investments and maintain a steadfast commitment. Focus on companies with strong fundamentals and growth prospects. This approach aligns with the Coffee Can Portfolio strategy, emphasizing minimal interference and trusting in the long-term growth potential of carefully selected investments. Yet, the skewed distribution among the stocks in portfolios like the Voya Corporate Leaders' Trust Fund showcases the difficulty associated with extended holding periods in practice. Siegel's winning survivors from 1957-2012 showcase that despite the rapidly changing business environment, and shorter time period for S&P 500 constituents, certain blue chip companies have maintained their market positions and continued to thrive, demonstrating the value of a long-term investment perspective.

Recognizing the Role of Behavioral Finance: Concepts such as loss aversion are crucial in understanding investor behavior, particularly in resisting the temptation of short-term gains for potential long-term benefits. Engaging in self-exploratory work, gaining self-insight, and practicing emotional stability can help investors and fund managers identify and mitigate behavioral biases that may lead to irrational investment decisions (Camgoz, S. M. *et al*., 2017; Majumdar, S. & Chandra, A., 2024). Additionally, the Coffee Can Portfolio theory can assist fund managers in maintaining their commitment, enabling both fund managers and retail investors to protect themselves from the emotional volatility of short-term market fluctuations. This stability can result in better decision-making and improved long-term outcomes.

The Proper Use of Risk Management Tools: A critical lesson is the importance of integrating effective risk management strategies within the long-term investment framework. This involves balancing the stability of long-term holdings with the vigilance to mitigate risks that could impact the portfolio.Diversification is important when an initial Coffee Can portfolio is constructed. A lack of diversification can lead to an escalated Value at Risk (VaR), especially if the portfolio becomes concentrated, and saturated with stocks that tend to move in unison. Here, a tool such as a simple Correlation Matrix may serve as a useful crutch that can assist in diversification efforts (Portfoliovisualizer.com; Opdyke, J.D., 2022).

CONCLUSION

The 'Coffee Can Portfolio' strategy proposed by Robert Kirby presents a tool for active fund managers. native to traditional active investment approaches. This passive investment approach, when anchored in diligent initial stock selection was demonstrated by portfolios like the Voya Corporate Leaders' Trust Fund, which has not bought new stocks since. The Coffee Can Portfolio means holding on to your winners and losers, and letting winners run, recognizing that the most promising opportunities might already be part of your portfolio. Learning to hold on to winning stocks during market turmoil is an extra layer of competenceand self-insight found in the realm of behavioral finance. Portfolio managers can rely on the Coffee Can Portfolio concept to stay committed during market downturns. However, it is imperative to acknowledge that this strategy requires a robust initial stock selection, as the investor commits to holding these stocks for an extended period. The approach offers a risk-reducing element as extended holding periods may diminish exposure to some short-term market fluctuations and certain behavioral biases. The avoidance of frequent trading could limit emotional decision-making associated with short-term drawdowns and fear in the market, when portfolio managers are influenced by behavioral finance concepts like loss aversion.

Yet, modern portfolio management with an emphasis on outperforming a designated benchmark, poses challenges to implementing a long-term holding strategy. Blending the 'Coffee Can' philosophy with contemporary risk management, diversification across industries and thorough research could minimize the risks of catastrophic drawdowns. Buffett's investment strategy, exemplified by his long-term holdings in Coca-Cola and American Express, demonstrates the value of extended holding periods as pillars in a portfolio during a period of two major stock market bubbles. This approach, marked by a commitment to holding positions for over a quarter of a century, showcases the benefits of enduring through market fluctuations and capitalizing on long-term growth and dividend yields. The substantial appreciation in the value of these holdings over time provides a testament to the potential advantages of long-term investment strategies.
The performance of the Voya Corporate Leaders' Trust Fund underscores the idea that long-term holding can yield positive outcomes. However, this does not negate the merits of portfolio rebalancing and adjustments to hit designated risk thresholds or portfolio industry weights. Some skepticism is warranted surrounding truly long-term holding periods as a completely fixed portfolio will not capture new technology or societal trends. Major concentration around winning stocks is another aspect that necessitates some questioning. Siegel's surviving top 20% of the S&P 500 have all beaten their index with significant margins, which shows that long holding periods is also skewed towards survivorship bias. The best stocks from 2003-2023 showed several companies that have been riding trends in technology, which were not part of the original Siegel's top 20. Success in investing often hinges on playing the long game, approaching it with patience, foresight, and a well-thought-out strategy. Educating investors to foster patience and prudence in their investment journey is key to achieving sustained wealth growth. In the spirit of 'Let the Profits Run,' the Coffee Can Portfolio underscores the power of patience and strategic foresight in the pursuit of long-term investment success. As we venture forward, we can improve by holding on, letting profits run, and young and new investors could take guidance from the Coffee Can Portfolio's legacy, but remain cautious of the strategy's pitfalls.

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