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VMCH Corporation - Annual Report

VMCH Corporation performance (in USD)

	Annual percentage change		
Year	**in Per-Share Book Value (NAV) of VMCH**	**in S&P500 with Dividends Included**	**in MSCI Europe with Dividends Included**
2012	24.8%	16%	19.9%
2013	27.7%	32.4%	25.9%
2014	(2.7%)	13.6%	(5.6%)
2015	(1.4%)	1.3%	(2.3%)
2016	6.1%	11.9%	(0.4%)
2017	5.5%	21.8%	25.5%
2018	(8.9%)	(4.3%)	(14.8%)
2019	(12.4%)	33%	24.2%
2020	55.8%	18.4%	5.9%
Compounded annual gain	8.7%	15.4%	7.7%
Overall Gain	112.8%	263%	95%

"We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful."

Warren Buffett

Dear shareholders,

In 2020, NAV increased by 55.8% compared with an increase of 18.4% in the S&P500, including dividends. MSCI Europe increased 5.9% including dividends during the same period.

2020 was our best year ever, and for myself personally the second best since 2009. This time it was not due to much maneuvering in response to the market but good positioning of the portfolio in advance of the crash. We had only one position that needed selling as the airlines were grounded (Spirit Airlines).

By February, I sold almost all of the lower quality businesses and concentrated around the higher quality ones as a lesson from previous years. We also entered March with 10% in cash as a consequence.

On the 30th of April, as the magnitude of the opportunity came into focus, I sent you a letter by e-mail. The second part of that letter reads as follows:

"The second matter I would bring to your attention is that we are in the midst of a serious market dislocation, which presents many investment opportunities that were not available just a few months ago. This constitutes a significant change in the fund's prospects to invest at high returns.

We made significant new investments in March and April. As of today, these constitute about 50% of the portfolio. Shortly before the crisis, we were fortunate to focus our portfolio on quality businesses, and this focus is very rewarding today and going forward.

Our portfolio is slightly up from the beginning of the year, and yet the prospects are the best since the great financial crisis of 2009.

As a result, I would ask you to dig deep and consider adding to your investment in the fund. This is clearly the opportunity of the decade to invest, and the quality and potential of the portfolio is quite substantial which we will be sure to discuss further at year end."

In response, on the 1st of July (the next available window) two of our investors took me up on that offer and decided to contribute additional funds. Their investment was up almost 30% in six months.

Despite the fund being up 50% since I wrote the letter, I still think we are not at the end of the market dislocation. There is still plenty of opportunity, and so I repeat my request again.

In the first part of the same letter I also informed you of the departure of our director, Ronit Ezer. I appreciate her many contributions in this role, and welcome Daniel Matkovski as her replacement.
You are welcome contact Daniel with any questions at daniel@vmchcorp.com.

In last year's letter, I promised to focus on businesses that are growing, with high ROIC while being reasonably priced. These should have a durable competitive advantage (moat) and good management teams. Even though the definition is not precise, I believe it holds for 92% of the portfolio as I write compared to 80% in last year's letter. More on that in the second part of this report.

Eduard Gorban