Taylor Pearson:

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Jason Buck:

Hey, everybody. It's Jason. We've got a little bit of a special edition podcast this week. A little while back, I sat down with my friend Meb Faber to talk about all things investing. For those who didn't get a chance to listen to it, we thought we'd do a swapcast version so that way you could hear Meb and I discuss all things related to broadly diversified portfolios, different investing philosophies, and different investing vehicles that an entrepreneur could put together for clients. Really hope you enjoy this episode and we'll get on with the show.

Meb Faber:

Jason, welcome to the show.

Jason Buck:

Happy to be here, Meb.

Meb Faber:

Last time I saw you, Manhattan Beach? Where was it?

Jason Buck:

Yeah. We're having some dinner and drinks with you, me, Toby, and my partner Taylor. It was a great time, good dinner, good drinks, good people, good times. Always love Manhattan Beach.

Meb Faber:

Well, come on back. I don't want to jinx it. We're putting in an LOI on an office that you can see the ocean from. So listeners, come see us. Hopefully, by the time this drops, we'll be moving there. You're a real estate guy. We'll get into that in a minute.

Jason Buck:

In Manhattan Beach or El Segundo?

Meb Faber:

In Manhattan Beach. There's not too many offices there. It's all '70s surf porn style. The carpets are gross. It's old, it's funky. We actually looked at Mike Tyson's old office, Tyson Ranch in El Segundo. Amazing. They put some real money into that. Had a boxing ring in the middle, but it's his cannabis company, so we didn't take that one. We're trying to get closer to the water. Anyway-

Jason Buck:

For people that don't live in California, you would think we have all this pristine real estate and everything, but most of it is '50 to '70s absolute garbage, especially closer by the beach, and you have terrible walls with no insulation, no AC, no heat, like you said, terrible carpet. It's hard to find grade A quality office space on the coast.

Meb Faber:

That AC discussion is a little too close to home. We just renovated our house, and it took forever, but we have a AC unit sitting in our garage for quite some time and it's not plugged in yet because of permitting process, which is a whole another discussion. My wife is a stickler, wants to do it by the books. I'm like, "Let's just plug it in. In September, we can unplug. I don't care, but it's so hot in here." Anyway, we haven't had ACs for 10 years. I don't know why it matters now. It's just the knowledge that it's there and can't use it is what bothers me. You got a background, for those who are listening to this on audio only, of 22 steps to make wine. Where are you today? Give us a little insight.

Jason Buck:

This is exciting for me because as a longtime listener to your podcast, I know how good you are at coming up with anecdotes to relate to the guests based on where they say they're coming to you from. So I can't wait to hear this one today. So I am sitting at home in the heart of Napa Valley in the most beautiful wine country in the world, and so this is where we find myself today.

Meb Faber:

Yeah. There's 22 steps to make wine in the background. My favorite meme video before the word meme was really around, and we'll put this in the show note links, listeners, you've got to watch it, was the famous one, I don't know if you've ever seen it, the girl stomping grapes in Napa and she falls out of the grape tank. Have you seen this? Starts screaming, poor lady. Anyway, listeners, we'll add it to the show note links. Have you always been a Napa guy? How long have you been there?

Jason Buck:

It's been about 13 years now. So I grew up in Michigan, have lived all over the US, all over the world, but I've been living here in Paradise for about 13 years. Yeah, it's pretty amazing. Actually, you'll appreciate this as a Californian, it's actually just starting to rain right now, and so it's nice to get these rains when we can get them as far as mitigating the drought and wildfires.

Meb Faber:

So I know your story but I want to spend a little time with it for listeners because I think it really, almost more than any guest, informs what you're doing now. I mean, everyone's life experiences takes them to where they are but some more directly than others. I actually spent, you don't know this, but, listeners, Jason has a great podcast and YouTube series that he co-hosts with Corey on the YouTube. What are the names of it? Gives us the-

Jason Buck:

Pirates of Finance with Corey Hoffstein.

Meb Faber:

Corey wears various robes and odd outfits on, glasses of the week, and then what is the podcast?

Jason Buck:

The YouTube show is Pirates of Finance, and then with my firm, Mutiny Funds, we do the Mutiny Investing Podcast as well and, yeah, just various podcasts and interviews here and there. So like you, I'm just always on the mic, it feels like.

Meb Faber:

We see you from time to time on Real Vision as well. However, I spent my birthday with you, you don't know this, because we were homeless and still renovating for six months when it was supposed to be two, and we were in Candlewood Lake, Connecticut and it was my birthday. So to escape my family and children and in-laws' families and children, I went kayaking, and then there was a little bar all the way across the lake and I was like, "There's no way I could take the kayak way all the way over there," but I started listening to a podcast you did. I think it was with Real Vision, but it was your four trades or something.

Jason Buck:

Oh, yeah, yeah.

Meb Faber:

I started paddling and then I was like, "Well, I can't stop now because I want to listen to this," and so I paddled all the way across the lake. Luckily, I didn't get murdered because it was July 4th weekend. Got to the bar, had a frozen mudslide. It's probably the best frozen mudslide I've had in my life, and then paddled back. It was a very pleasant day, Jason. You tell a good story. So I don't want to recreate that, but I do want to hear a little bit of your timeline because you were not always what you are today. I don't know what to describe you as.

Jason Buck:

I was waiting. I hoped you would tell me because when people ask me what I do ... Yeah.

Meb Faber:

You're not always a cockroach guy, but give us the origin story.

Jason Buck:

Sure. So we're the same age. So actually, when people always ask this, I don't know about you, but in my head it runs through Goonies and Chunk like, "When I was six, I pushed my sister down the stairs." It's like, "Where do you want me to start?" kind of thing. I've always been an entrepreneur. I also was a soccer player. I was fortunate enough to play soccer all over Europe, South America, United States as a kid. Ended up going to the IMG Academy, playing soccer there and graduating from there, and then went on to play soccer at College of Charleston in South Carolina.

I was initially an international business major, found that boring because, I mean, it just all made perfect sense to me growing up in a family of entrepreneurs, and then so I switched my major to comparative religions. So I studied especially eastern mysticism, those sorts of things. Post-college, decided to work on my entrepreneurial skillset. I started a commercial real estate development company in Charleston, South Carolina. I've developed some buildings along that King Street corridor, that beautiful thoroughfare that goes right through the heart of Charleston.

Then just got absolutely wrecked in the GFC of 2007, 2008. Totally blew up. It changed the course of my life pretty dramatically. After that, I tried to figure out there has to be a way to hedge entrepreneurial risk. As an entrepreneur and having a lot of friends of entrepreneurs, it doesn't matter how idiosyncratically good you are as an entrepreneur if you have a global macro liquidity event like we had in 2007, 2008, because you're trying to build projects years in the future, and so you need there to be less volatility and more certainty in the future, not less of value there or more volatility and less certainty.

So then I spent the better part of the next decade figuring out how to trade options, how to trade VIX futures, trying to figure out all these ways to beat long volatility and hedge tail risks, and just felt that there's got to be a way to hedge that entrepreneurial risk even though people don't think it's possible. I happen to think it is, and you can use some of that macro liquidity issues to hedge entrepreneurial risk. Obviously, you're taking basis risk, but I think it allows us to have a tool for entrepreneurship where we can be much more aggressive at what we're really good at and try to hedge some of those global macro liquidity risks.

So in 2018, I stumbled across my partner, Taylor Pearson. We started chatting online, started talking about all things related to markets and volatility. We both had a mutual love for a lot of Chris Cole white papers about volatility. So we started talking about even though I'd been building these total portfolio solutions based on the Harry Brown permanent portfolio model but doing it in a more modern sense, and you and I I'm sure we'll get into that, is the idea was, "Well, these are all well and good, but I think a modern version of Harry Brown permanent portfolio requires things like long volatility, tail risk, commodity trend managers." Most retail people have zero access to that.

So even though I know how to build those for myself and my family, we just figured there had to be a way to offer retail clients more access to products like this. So that's what Taylor and I got together about is like, "Look, if you want to have some access to long volatility and tail risk, there's a lot of path dependencies that you need to cover." So you're going to need an ensemble approach to those path dependencies to do it well, and we figured out if we could aggregate a lot of accredited retail investors together, we could provide access to the best in breed managers and try to create a ensemble beta-like return from these spaces.

So Taylor and I set about to do that. In 2020, we launched our long volatility strategy starting with five managers. We're up to 14 managers now. Then in September of last year, we hit the goal I've been working on for about 10 years of launching our cockroach fund, and the idea with cockroach fund is something that's after your own heart, not owning all the world's asset classes and rebalancing, but the cockroach fund basically has global stocks, global bonds, a long volatility ensemble, a commodity trend ensemble, and we also have gold and cryptocurrencies as well. So yeah, the idea is to try to build the least shitty portfolios so that people can manage their savings no matter what the global macro environment throws at them.

Meb Faber:

I love the Harry Brown 2.0. So for listeners, Harry Brown permanent portfolio, decades old, was, and you can correct me, 25% stocks, bonds, cash, gold. Was that the original permanent portfolio? There's been some spins on it, but like you mentioned, if you historically model the Harry Brown portfolio, it's a pretty good portfolio. It's lower return because of the huge portion in cash and bonds, but it's one of the more stable across decade portfolios because of particularly the gold allocation, which has been doing F-all for the past number of years.

Jason Buck:

Like you said, to me the modern version is instead of cash, what if you use long volatility and tail risk that gave you much more compacts cash position to offset the stock exposure, and then instead of just gold, like you said, which is a singular path dependency for people would say inflation, but maybe purchase power parity over multi-decade or multi-century cycles is like, "Instead of gold, why don't we use commodity trend followers that can trade 80 to 100 commodity markets and that's a better ballast in an inflationary environment or maybe a better beta to really offset the disinflationary bucket of bonds?"

So that's why we say a modern version of Harry Brown's permanent portfolio, but as you know, you've put it out there, it's like this goes back to the Talmud. Even our pitch deck, it's got a shout out to you in there because we go all the way back to the timeline to the Talmud. Obviously, we think that Harry Brown's work was the seminal work in 1972-ish. Even before that, Alfred Winslow Jones started with hedged funds because they went long and short and people forget that. So we included it on our timeline. We include your Trinity portfolio and Chris Cole's Dragon portfolio along those timelines for really adapting those to more modern usages.

Meb Faber:

Yeah. The insightful thing that you had was thinking about risks. I mean, obviously, you had to go hand-to-stove, face-to-fire. I don't even know what the analogy you want, head in the toilet experience to go through it, and most, if not all, older traders and investors have at some point, and often it informs your path, which is one of the reasons I'm a quant, certainly imploded all my money in the dot com bust. Looking back on it, on trying to think about risks, do you think some of the ideas today would've helped? Particularly, what would've helped most in that scenario if you could go back and talk to 20 something Jason?

Jason Buck:

Well, talking to 20 something Jason I would find very annoying because he'd just be optimistic and transigent, wouldn't listen to this old guy speaking to him now. So that's part of it, but yeah, the idea is what I don't think anybody's really talked about with these broadly diversified portfolios as much, especially to say the Harry Brown portfolio, even above that at the 30,000-foot level, we like to talk about it is combining offense and defense.

So people don't realize that a 60/40 portfolio that most people have as a target date fund and that's their broad diversification is just offense. You and I know in rising GDP environments, risk on environments, 60/40 is going to do just fine and then when we have these liquidity events or recessions, correlations go to one and these things don't do well.

So when people are offered a portfolio, even if they're diversifying into VC, PE, real estate, all of these different things, those are all still long GDP, therefore, offensive assets that are really do, as long as we have a wash of liquidity and risk on, they do great. So we really think about it at the top level is you really want to balance your offensive and defensive assets.

The idea of what this would help me prior to 2007, 2008 in the sense that by adding long volatility, tail risk, commodity trend managers, maybe a little bit of gold and cryptocurrencies, by adding all of those defensive assets with your offensive assets, that allows you to survive. I feel like I'm going to quote back to you you a bunch of times on this podcast. The only form of actual winning in this game is surviving. That's the way we have to play the game because as long as you can stay in the game where most people blow up and they get kicked out of the game. So yeah, surviving is the only success in this business.

I was thinking about this before we got on. If I think about the Buffetts, the Mungers, the Marks, Mobisson, O'Shaughnessy, and I'm going to throw you in this bucket just to embarrass you for a second, is at some point when you're in this game for decades, do you feel you would just automatically start coalescing down towards just being almost like a Dowist with your aphorisms because you've seen so much that it really just comes down to really the basics like I'm saying, offense plus defense or surviving, where it's like everybody wants to talk about this individual equity thesis they have, but it's more like, "What is your broader framework for constructing a portfolio and can you survive?"

Meb Faber:

Yeah, and I think a good analogy for that too, for the finance peeps on here or the product issuers, I mean, so many times I'll see someone launch a fund and then a popup will come like a fund closed after one year, and I was like, "Did you not build a minimum of five, but realistically a 10-year time horizon because one year is just a coin flip? You have no idea." There's a quote from Ken French, who's the French in Fama-French, listeners. He had a couple amazing quotes from a podcast he did a couple years ago, but he says, "People are crazy when they try and draw inferences that they do from three, five or even 10 years on an asset class or an actively managed fund, and let that sink in listeners.

So I'm just going to delete the three and five. People are crazy when they try and draw inferences, I mean it's conclusions, from 10 years on an asset class or actively managed fund, and how many every survey one after another shows people looking at one to three years at the most? I mean, if you even survived that, three being the end of the possible time horizon. It's crazy if you even look at it at 10.

Jason Buck:

Yeah. That's why I think about all those behavioral risks, and this is what my partner and I talk about all the time, is you have to keep people, like you were saying, surviving. So by having defensive assets, you allow people to not make stupid mistakes and jumping in and out of funds at the most inopportune times. So that's the biggest thing we think about. Then going back to your question of pre-2007 Jason or mid 20s year old Jason, would have this defensive assets help me? Absolutely, but the other thing that we like to talk about and think about is, as I said, this is a tool to hedge entrepreneurial risk, even though it is a complete total portfolio solution for an investment portfolio of your savings.

The idea is you have to think about your life a lot more holistically, and as an entrepreneur, you have all this long GDP risk on assets, and most people don't think about that. So as soon as you have any savings left over consumption that you don't need to put back into your business, you actually need to be solely investing in defensive assets. I think your paper that I share all the time, that's my favorite, is that financial advisors are almost quadruple levered long to spy, but people don't realize that. So as an entrepreneur, actually, I shouldn't be even looking to buy more stocks and bonds. I should only be looking for defensive assets to hedge the risk that I'm building with my business, and I'll let you go into what the quadruple leverage is for financial advisors.

Meb Faber:

The first step, which you hit upon having gone through it, but so many people also hit upon in hindsight, which is usually the way we learn is I need to start thinking about risks, but all risks, and particularly one specific to your life and situation, and so many people, it automatically defaults and they think about it when it comes to certain things. They think about it when it comes to car insurance. They think about when it comes to house insurance, those type of manageable risks.

Portfolios, it's like for some behavioral reason that just goes out the window. The 4x topic you're referencing was your average financial advisor is four times leveraged the stock market and doesn't know it. He has his own money, and I'm saying he because all the financial advisors are men, but he or she has all their money invested in US stocks of their portfolio. Maybe they have 60/40, but the 60 dominates the 40 in volatility and drawdowns. They have their clients' portfolios invested, so revenue is directly tied to US stocks. So as that goes down, if it gets cut in half, your revenues get cut in half. The business which he's associated with, if you don't own your own business, you're exposed to recessions and layoffs.

Lastly, of course, clients go crazy when they lose a bunch of money and they withdraw, so it's a compounding effect. So you can make the argument, and I did this on Twitter the other day, that theoretically, you should or could own no US stocks at all. I don't know a single person that does that. Do you know anybody like that, an investor that's US-based that owns zero? I don't know a single one.

Jason Buck:

Nobody that's domestic, yeah.

Meb Faber:

I think pretty profoundly, this is a good idea for a blog post, you can make that argument that they shouldn't own any. Anyway-

Jason Buck:

Yeah, I feel like I'm the outlier on all your Twitter polls. When you ask, "Who owns emerging market stocks? Who owns commodities?" I'm always raising my hand. I'm the one idiot in the crowd that's your outlier.

Meb Faber:

Where'd you fall on my most recent one? My most recent poll was, "Has inflation top ticked?" Have we seen the high print in inflation for the cycle or no? I think it was nine-one.

Jason Buck:

Yeah. The best part I think about, and you know this, you're trolling people when you do this is when we construct portfolios the way you and I do is we don't know, and that's the whole point is how do you construct a portfolio when you retired from the crystal ball game, when you know can't predict the future. So it's fun for us to play this, "What's your opinion?" but hopefully it doesn't affect our portfolio construction, and that's the point, the way I see it.

Meb Faber:

Okay. So we got a little background. You got smashed in real estate. By the way, how has Charleston Real Estate done since then? Is that on the regret list, gets up there with Bitcoin or what?

Jason Buck:

Man, you are the first person that's asked me that, but you are so correct. I mean, it is ridiculous. It is ridiculous how much it's appreciated since then.

Meb Faber:

I went down recently for a pandemic wedding, meaning they got married during the pandemic but had the party. My goodness! I mean, Charleston, you always read in the magazines everywhere, it's one of the best cities in the world and it's great, but the expansion into Mount Pleasant and all those restaurants and bars and everything just on and on and on world class city.

Jason Buck:

Can you imagine when I moved there in '97? There wasn't a single chain store on King Street, and you didn't ever go north of Calhoun. It literally changes so much every two to three years. It's like going into a different city.

Meb Faber:

Did it go through some stressors during the pandemic? Were you like, "Hold on a second. Maybe I should get back involved in this?" or you're just like, "No, I am never going to that city again in my life"?

Jason Buck:

I try not to, except for my brother actually opened a restaurant there during the pandemic. So I've been back a few times to visit his restaurant. So I mean, yeah, he has that courage to step into that fray.

Meb Faber:

Did he make it through?

Jason Buck:

Yup. They're still open and running it. It's Coterie on Warren Street. It's a fusion. Usually, I hate fusion restaurants, but it's a great fusion between Indian cuisine and low country cuisine. They blend really well together.

Meb Faber:

Oh, man.

Jason Buck:

Yeah. My brother was a craft cocktail bartender in Mumbai for a few years setting up restaurants there, so he's got the background to put those two together.

Meb Faber:

God, that sounds delicious.

Jason Buck:

Exactly.

Meb Faber:

That's my two favorite foods. I'm trying to figure out how that works, but Southern food, I would definitely be 250 if I lived in the South at this point. I don't think I have the off switch. I can't take sweet tea anymore, though. It's too sweet for me. I'm one quarter sweet, and I feel really bad ordering that, embarrassing and be like, "Can you just give me like a smidgen of sweet and the rest unsweet?" but I got a bunch of boiled peanuts in my closet that I got to cook. All right. So went through that experience, forever seated in your brain. Was concentration and leverage a piece of that or just not so much?

Jason Buck:

Yeah, no, I think it is every time in the sense that that's the best part. The best part about real estate and the worst part about real estate is that leverage and then that illiquidity. A lot of times you can get a nice illiquidity premium. I know that you've talked a lot about these days, but when you're a young entrepreneur and you don't have contacts to really know better, it's using probably an extreme amount of leverage, especially in commercial real estate or real estate in general. That's why everybody loves that asset class is because they can get leveraged and it's marked to model, but if you're selling condos or you're renovating properties and you have all of these different time cycles and they need to align with the time cycles you have with your bank for your loans, your balloon payments, et cetera, if you're highly leveraged going into that situation, which I was, and so it's entirely my fault, in hindsight is if you're expecting these projects to come to a fruition over the next one, two, three, four years and they're all staggered out and you have an amount of leverage on them, but then 2007 happens, it's always interesting.

Commercial real estate guys will say '07, stock market people will say '08, but that's the difference. So what would happen is, and people don't realize this, it went from mark to model to almost mark to market overnight because let's just say you're redeveloping a building that has condos in it, so you're renovating, it's got 20 condo units, but people have put down a deposit of let's say five to 10 percent the purchase price. 2007 happens. You're waiting to close and finish those apartments so that way, therefore, you know can close on those loans, you can pay off your bank and pay off your investors, et cetera, but then 2007 happens and those people just walk away from those apartments. They walk away from those deposits. You're just left holding nothing at that point.

So then that leverage gets manifested both ways. So the leverage worked unbelievably well on the way up, but then on the way down, you're completely wiped out, but the unique structure of let's say commercial real estate is you have that light equity tranche that you're basically levered up. So if the structure of your deal falls apart and people walk away from their just deposits, then you can't really make your balloon payments with the bank. So therefore, the way the contract is structured is actually the building goes back to the bank. That's the structure of the contract.

What I find fascinating is that the banks didn't like that when it did happen, but I was like, "It's in black and white. It's in the contract." Basically, they wanted risk-free interest. That's what the banks thought going into 2007, right? They were happy to leverage up all these deals because they never thought they were going to have to actually take back the properties. They weren't doing necessarily the best job at underwriting, but it's interesting is you have a contractual obligation. If I don't fulfill my side of the contract, here are the keys, you can take back the building, and none of them wanted to do so.

It was really interesting to see their reactions in the sense now looking back a little bit circumspect about it, to see that they didn't want to live up to their contractual obligation, and it was interesting when they got into it, I don't think they were assessing what could happen if they had to take back the keys.

Meb Faber:

You walk forward, you go to a silent treat in a monastery for five years in Nepal. Wasn't there something in between, by the way? Weren't you living in Mexico or somewhere?

Jason Buck:

Yeah. I've lived in a lot of places. I lived all over the world. So yeah, what happened also, to just add insult to injury, is because I was so tapped into the residential mortgage side, I could see the cracks in the walls, and I was a little bit worried in late '06 going into '07. I remember even asking ... I got together all these older real estate developers, all over 50, 60 years olds, seven, eight guys, some of the biggest developers in the Charleston area, and I said, "Look, I'm concerned here. Should I be worried?" and to a man they said, "No, this time's different."

Now, what I had to find out in hindsight is that, obviously, real estate developers are pretty naturally optimists and they don't mind about declaring bankruptcy and starting over again, so I should have known who I was talking to, but I didn't have the context to understand that. So what I said, I was tapped into those mortgage market that's going on. So as soon as I started seeing real problems in 2007, I knew exactly who the worst lenders were on the mortgage side, so those Countrywides, [inaudible 00:26:21] all those names that we've all forgotten since.

So I actually started buying put options against those mortgage providers, but because I was not a professional options trader and didn't know my options well, I had to learn hard lessons about options Greek. So even though I bet on the housing collapse, I actually lost money on those trades because I didn't realize time horizons, theta, vega. This is how I had to learn an even more painful lesson. So even though I called the housing crash, I actually lost money buying put options on the housing crash.

So it was adding insult to injury. So what you're referencing is it probably took another couple years where I went down to Mexico to live cheaply, lick my wounds, trying to figure out what I wanted to do next, trying to figure out what happened. I mean, it was like, not to overdramatize, but you're essentially in the fetal position on the floor because it's one thing to lose your own money, but as soon as you start losing family and friends' money, it's the worst feeling in the world.

You go from this idea that a rising tide lives all boats, and when we're young we have so much hubris and you start to think you're a genius and then the market shows you that you are lucky and then you have a existential crisis where you have to figure out, "Am I complete moron? Is there any skillsets I have? What should I do with my life?" I mean, it was really that dramatic, and it's easier to say now and laugh about it, but it was an intense few year period of figuring out trying to rebuild myself from scratch, so to speak.

Meb Faber:

I was really going to depress you because, and I can't find it, but we'll post this in the show not links. I wrote an article, and I think 2007 or '08, and I understand that they're lagged, but the article was Does Trend Following Work on Housing or Real Estate, and it basically showed these very long slow periods on real estate and, basically, it was like you started exiting, like you said, 2007 for a lot of these things, but the nice feature is it had you getting back in at some point too and then you do nothing for a decade. So had you been a reader of the Meb Faber blog, I think it would've been world beta.

Jason Buck:

Well, the hard part though about what you're saying is that, well, and now that we live in a much more financialized world, maybe it's getting easier and easier, but it's not so easy to get out of real estate. I still talk to commercial real estate developers all the time and it's like, "If I have a project that has, I get into it in 2006, and it's not going to come to fruition until maybe '09, '10 and you're saying get out of the market in '07," it's like, "What do I do?" That's why I started figuring out these hedges because if you can understand options training, everything, you're going to take some basis risk away from commercial real estate. You may be using S&P as a proxy, but that's how you can hedge the risk with convex put options if done well and professionally. So that's maybe the way to do it because you can't really time the real estate markets if you're working on value add development projects as that illiquidity.

Meb Faber:

It's the problem. I thought about this years ago when there used to be ... Didn't there be Shiller futures on individual markets?

Jason Buck:

Regional, yeah.

Meb Faber:

Regional markets, so there was Phoenix, Seattle, Denver, whatever, New York, and you could hedge the futures, which to me was a profound innovation that no one was interested in. Oddly, that's so weird to me. I mean, there was even a housing up and a housing down ETF and both of those failed too, but the challenge you mentioned, the direct hedges is tough, and then even finding the direct hedge, the timing of it, like you mentioned, so trying to figure out what else would actually help you survive. So good news is now you have the answer. So let's hear the conclusion. We got the diagnosis. What's the prescription? How have you cobbled together some of these concepts into your hedge portfolio because this was the first offering, right?

Jason Buck:

Yeah. So after the bad experience of learning what I didn't know about options Greeks, and I love that you always talk about the dot com boom because you and I were both YOLO trading back then so we can't make fun of people for YOLO trading meme stocks now.

Meb Faber:

No, we can make fun of them, but we can just say, "Hey, this was me 20 years ago, young whipper-snapper."

Jason Buck:

What I always say is what's great is they're all going to learn about options Greeks. Right now, they've just been delta directionally correct at making money, but then now and the last year, they've had to learn about what the options Greeks mean. So that's why that painful experience in '07 and '08 led me to really learn more about trading options over the subsequent years, and then part of it was I started getting into, I figured out, an intermarket spread trade between VIX and S&P in 2012 and was doing a relative value trade there. So I started learning all of these options trades, all these VIX trades.

So in 2015, I started following all of the other long volatility and tail risk managers in the space and started tracking all of them. Like I said, there's a lot of path dependencies to a volatility event or some liquidity crisis. So I was never comfortable with just allocating to a single manager or a single strategy. Once again, I believe in ensemble approaches.

The other thing that always bothered me is in ETFs or 40 Act funds, et cetera, there's just not a lot of options for this kind of stuff, no pun intended, but I used to love, I mean, for decades I've been reading your work, Resolve, Alpha Architects, Logical Invest out of Switzerland, all this stuff, and it's like you can create a pretty broadly diversified portfolio using ETFs and mutual funds, but as soon as you start looking for convex hedges like tail risk or long volatility, it's just impossible to stuff those into those products given the regulatory burdens.

So if that existed, I probably would've never created this fund. So it didn't exist. So we had to figure out something that was a workable solution. So what we figured out is by aggregating all these different path dependencies, and beautiful thing is if you are an institutional allocator, you can find very niche strategies, and this is what retail doesn't usually have access to these kinds of things. It's like if I'm in an institutional allocator or a pension or an endowment, I can find super niche strategies and just allocate whatever percentage I want to that manager and make sure they stick to their knitting and that's all they do, but we don't really have that in the retail space or in the ETF side, so to speak.

So I started assessing and tracking all these different managers that do different styles of long volatility and tail risk trading, and then by aggregating an ensemble of them together, it gives me a more of a beta signal from that long volatility tail risk. I wish someone maybe ... The eureka hedge indexes are fraught with all survivorship bias and all these other shenanigans, but if some product like that was tradable and packaged into an ETF, it would be a great way to maybe have access to these long volatility and tail risk managers, but it didn't exist. So that's what we created first.

We always had these debates going back to 2018, where we're going to launch our total portfolio solution with our cockroach fund first or we were going to launch this long volatility ensemble first. Taylor and I decided to do the long volatility ensemble first because it didn't exist, and that's what people needed most to really hedge their portfolios. So that's why we launched with that one first. Ironically, it took all of 2019 to get all the regulations in place. We started marketing January of 2020 that it was available. We had to aggregate five million to get the fund launched. We weren't getting any takers. Then March of 2020 happens, now everybody wants insurance after the flood.

So we actually launched the fund April 17th of 2020 for our long volatility ensemble, and Taylor and I talk about, "This is going to be the hug of death. If we see a V-shaped recovery from here like we saw, this is going to be really painful if volatility crushes, but otherwise, we're hedge for a second or third leg down." I mean, we're happy to get launched, but it was a inauspicious timing for launching a long volatility fund.

Meb Faber:

Yeah. There's been plenty of strategies, companies that were launched in the depths of recessions or inverse terrible times. We've had a few, certainly. So if you can survive that too, kudos, but the good news is people can see what the full spectrum of outcomes are. I think that's more helpful than anything. All right. So give us a broad 10,000-foot overview of what falls into this category. I know it gets specialized and complicated quick, but for the listeners, what types of funds and strategies make the cut and what doesn't?

Jason Buck:

Yeah. I'll try to define terms and that'll help us from a 30,000-foot view. Classically, I think people talk about tail risk and the idea with tail risk is you're just buying deep out of the money put options that can really balance the portfolio and the liquidity event. I think that's what historically most people have read about, which if they see maybe just the headlines, that's what Taleb or Spitznagel talks about, but the idea of tail risk is that you buy put options say with a negative 20% attachment point. So it's like insurance.

If the market falls anywhere less than 20%, I don't really make money off of that insurance. If it falls 20% or more, I start to get covered on those put options. So that's the tail risk convexity options is just rolling puts, just almost systematically just rolling those puts and saying, "Great, I've got this attachment point," and the reason I just say negative 20% is, as you've highlighted before, it's usually that's a literature where behaviorally people start to capitulate at a negative 20% down move in S&P.

So the classical forms of tail risk hedging that actually can go back decades are that form of just putting on put options and rolling them, and you're just paying that bleed. So just like insurance, it's going to cost you every year to put on those positions. So the idea is you can hold 97% long S&P and allocate 3% to these deep out of the money put options that'll protect you in case you have a massive liquidity crash. So that's the classic example of tail risk options.

When we start talking about long volatility, understandably, people don't have a clear definition of that. The way we like to talk about it or think about it is when I just said, when you're buying those deep out of the money put options, that's like buying insurance and you have that every year you're going to bleed waiting for the event to happen if it only only comes along once every decade.

The other way you could mitigate that bleed is what we call long volatility, which we believe is just buying options on both tails. So you're buying both puts and calls but you're doing it opportunistically because you're trying to reduce that bleed. So the easiest analogy is maybe forest fires, right? You're looking for when the wind conditions are high, when the underbrush is incredibly dry, when you've been in drought for several years, when the electrical power grids likely to go down, PG&E, the wires are breaking, when wind speeds increase. When you see all these factors start to pick up on your screening model, then that's maybe the time to put on put options.

The same thing for call options. So you can trade both wings, but you do it in a much more opportunistic fashion because you're trying to reduce that bleed of just rolling those put options like I talked about with tail risk.

Now, there's trade offs, right? We always like to think about everything is you have carry, certainty, and convexity, and those are the three trade offs and you can pick one or two out of three. You never get three out of three, and by carry I mean just positive or negative carry over the lifecycle of the options. Certainty is how certain are you of the payoff, and then convexity is, obviously, how convex is that payoff. So you're always giving trade offs.

So when you had just the rolling put options, you have high convexity, high certainty, but negative carry. Now, if you move into long volatility and you're just buying options but you're doing it opportunistically, so you might be in and out of the market maybe only 40 to 60 percent of the time, you still have that convexity, but now you're lessening your certainty because you might not be making the right call but you may be improving the carry of that position. So that's the way to look at those long volatility options.

So when we're constructing our book for long volatility, we primarily just want to be buying options. The vast bulk of our portfolio is just in managers that are buying options, those puts or those calls, because you know exactly what your bleed is going to be when you're buying options, but you don't know how large your returns are. Do that convexity, but also the monetization heuristics and trying to time those monetizations perfectly. We love that way of thinking about the world. It's like, "I know what my bleed is, but I don't know what my upside is." Where most people don't know, they might know what their upside is but they don't know what their downside is.

Meb Faber:

Is this the main target of this US stocks?

Jason Buck:

Great question. So then when you're starting to build out that portfolio, it's like we are primarily using and attaching to the S&P 500 solely because the bulk of our clients are US-based and are attached with the other parts of our portfolio or parts of portfolio we construct that are attached to the S&P 500. As you know, it's this 600-pound gorilla. So that's what we're primarily attaching to. The problem is you also want to get a little bit away from that.

So for example, in March 2020, if you have that implied volatility expand on your options and you need to now protect against second or third leg down after you monetize them and you're rolling them, you're going to pay up for that implied volatility on those options. Where if you have the ability to search everywhere for convexity, if you can go into rates, FX, commodities, you can probably find some cheaper convexity after you're paying up for that implied volatility on the S&P 500, but by doing that, you're taking basis risk away from the S&P 500 if that's your primary hedge. So we try to incorporate a little bit of both, sprinkling in a little bit of basis risk around the perimeter so that way we can find those cheap convexity options around there.

That's the primary bucket is just combining this opportunistically buying options on both tails, combining that with some rolling puts, therefore, the bulk of the portfolio is just buying options, but then as I said, you have carry, convexity, certainly. It's like, okay, behaviorally, if people are unwilling to have that negative bleed of options, and we've seen this a million times, the famous one is CalPERS, pulling their allocation to Spitznagel and Universa right before March 2020 because for a decade you've been-

Meb Faber:

My nemesis, CalPERS.

Jason Buck:

Yeah, yeah, exactly. One of these days, they're going to hire you for those IPAs.

Meb Faber:

I'm off IPAs now. I'm done with them. I'm convinced they make me feel terrible the next day. Maybe that's my age, my station in life, but I'm now more of a hoppy pilsner guy. I love my porters if they're not too sweet, love a lot of the Asian beers, but IPA, I'll still drink them. If you give me one, I'm not going to say no, but I will regret it tomorrow.

Jason Buck:

Next time you're up here, I'll love to go on the roadside in Petaluma. There's a great roadside bar that looks like nothing. It's like a dive bar called Earnies Tin Bar, and they have the best bars in Northern California, best beers. My favorite is actually this one up here. I don't think you can get it down by you. It's called Moonlight Death and Taxes and it's a German black lager. So it has the smells and everything of a stout, but then it's really light like a lager. It's just unbelievably drinkable.

Meb Faber:

Get your first Mutiny manager conference hoedown and, well, give me an excuse to come up there, we'll go. I would love to. By the way, listeners, what Jason's referring to is that I had offered publicly to all these big institutions that I would manage their portfolio for free, buy a bunch of ETFs, rebalance once a year, share a happy hour, get some IPAs, and that's it because I think most of these are endlessly complex fee-ridden wage, just a hot mess. CalPERS is like a soap opera watching what they do. Anyway, let's not get off topic.

So you put together a lot of these ideas into one. What is the universe for you guys like? There can't be that many of these managers or are there? Is this the universe like a thousand or is it like a hundred? I assume they're all private funds for the most part. How do you go about cobbling together this group, and are they all slightly crazy? I feel like you have to have a screw loose to either be a short seller or anything that's fighting against the consensus or running into the wind.

Jason Buck:

Oh, yeah. That's basically my days talking to fellow weirdos all the time, yeah, because it's like I always like to say is you talked about anybody that your long volatility when everybody else is short volatility, it doesn't make sense to the average person in public. They're like, "Why would you do that? You're fighting against those headwinds," and then an event happens and you actually are able to monetize and your clients treat you like an ATM without a thank you. Then so you're like, "Where am I going to get some joy out of this?" So you come home and you're such a lunatic to be a long ball person anyway. Your significant other is not likely to pat you on the back. They're like, "Congrats. You did your job."

So there's no winning in this game. You can just take the pride of artisanal craftsmanship. So yeah, my daily basis is I'm talking to a bunch of long ball and tail risk managers that are inherently weirdos like you or I.

A round out, so if you're buying options, that's one thing, but then you behaviorally have this bleed issue. So the way we try to mitigate or manage that is we added vol relative value strategies, where if you're trading that intermarket spread between SPY and VIX or you're trading calendar spread on VIX, any pairs trade should have some income to it. So we're trying to use some income from those to help cover the cost of the bleed on the option side.

Then the third piece we added to it is intraday trend following. So like I said, in March 2020 when that implied volatility expands, you want those delta one contracts to just short those markets without paying up for implied volatility. So we use intraday trend managers to trade the market indices around the world. So that's filling out that portfolio, but to your question is we're invested in 14 managers. We track probably 35 to 40 managers, and that's, I would say, 90 plus percent in the space. Besides there might be, in CTA land sometimes, there might be two guys in a garage somewhere I don't know about, but it's doubtful. So we track all the managers in the space.

So how do we put this together? So the other thing is I've always been fascinated by the world of CTAs and managed futures, and I wish more people could learn about that space that I'm sure you do as well, but part of it is the capital efficiencies and the separately managed accounts, and that's what really matters to me, and that's how we were able to construct a product like this is we try to get separately managed accounts from our managers. What that means in practice for people that don't know is they basically have power of attorney to trade your account.

So you get to see the trades in realtime. So it helps to mitigate any made off effects. You get to see all the trades. If somebody was a long ball manager and all of a sudden they went crazy and started trading short ball, you can just pull that money immediately.

Meb Faber:

Who's the big admin or custodian or where does it sit these days?

Jason Buck:

You have primarily your FCMs and we use several FCMs from Stonex to ADM to Wedbush, and then your big admins are NAV, Sudrania, those sorts of admins. So the idea is if I can get separately managed accounts with these different managers and I hold it at the SCM, it's incredibly capital efficient. What I mean by that is we only have to post margin and we can cross margin across our managers.

So it's incredibly capital efficient, and it's a way to really build a book around capital efficiency where you can have a lot of offsetting trades that are actually negatively correlated instead of just uncorrelated, and that's how we think about really building the book. Most of it's SMAs, a few commingled funds sprinkled in here and there, but we try to as much as we can just get SMAs.

Meb Faber:

This is going to be hard question because you're probably limited to what you can say, but give me some broad overview. The media loves to, when it hits the fan, loves to be like, "Oh, here's a tail risk manager. They were up 75,000% this month," and then just consistently you read these and you're literally like, "What in the world is this journalist writing about?" because they have no idea what they're talking about, and I feel like it's obviously wrong but misleading and unfortunate because these strategies I think very much have a home. What are your broad expectations for a strategy similar to what you are doing If the S&P is down 20 in September of 2022, is it something you're hoping this is going to be up 20, 100, up two? I know it depends, but-

Jason Buck:

Yeah. I can answer it in a way that, as you know, these are always tough from a compliance perspective, these questions, but I do want to touch on the one hard question because it's going to make my brain explode was this terrible reporting about funds being up four or five thousand percent in March of 2020 and that's just completely erroneous reporting. As you and I know, what they were basing that on is the premium spent either that month or that quarter on those options and that premium was up four or five thousand percent, but the actual book, when it's combined with both the long stock positions and the hedge positions, the book was flat. So it wasn't like these managers were up 4,000 or 5,000 or 7,000 percent, it was actually the premium spent. So if you were going to report that, you should have said for every month and every quarter for the prior 11 years before that they were down 100%.

Meb Faber:

Every month, but the weird juxtaposition if you're a manager, you're like, "Well, I'm not going to correct them. If they want to write about me being up 4,000%, 40,000% good for them. I'm not going to say anything." It maybe showed up in three days later in the journal like a tiny byline. By the way, we didn't mean 40,000%. Okay.

Jason Buck:

Obviously did his job because I've gotten that question hundreds of times. So going back to your question a little bit, how do you think about this protection? So that's obviously the hardest piece in the sense that, like I was saying, with options you know what your bleed is, but you don't know what your return's going to be because it always going to matter the path dependency of selloff. What vol level are we coming from? How sharp is the selloff? What's the time horizon in the selloff combined with what was the duration or tenure of your options? As you know, there's so many factors involved that it's hard to get an idea.

So what you try to do is you run shock tests based on all these different scenarios, but then shock tests, everything are putting your finger up in the air and hoping for the best. More importantly, and even the harder part with these, like I was saying, that convexity, I really want to stress the monetization heuristics because, like you're saying, if you're up 4,000%, if you don't monetize there, it's going to mean revert down to 2,000% on that premium or up to 8,000%. So you never know are you monetizing right into the bulk of that move or could it run to a second or third leg down. You never know.

So the whole point is, this is why I believe an ensemble approach, is you want all these overlaying and overlapping monetization heuristics. This is why we're in 14 managers because I want people that do very different path dependencies but also monetize differently to make sure we capture that move because, like we're saying, if it happens once every 10 years, we need to make sure we monetize that as best we can. So we may not monetize it perfectly, but across the ensemble will do well.

The way we try to talk about clients and the way we construct our portfolio is the idea is when you're doing these options or long volatility or tail risk trades is anything less than a negative 10% move in the S&P is just noise. If you try to really hedge perfectly one for one against that, the bleed is going to be so high. It's not going to really work for you. Unless maybe you could rebalance daily or intraday, it might work that way, but otherwise, the bleed on those at the money or close to the money options are going to be way too expensive.

So what we try to do is we try to, once again, work behaviorally this negative 20% attachment point. If we've constructed our ensemble well, it would hopefully start to have that, getting in close to that one for one coverage around a negative 20% move in the S&P, depending once again on the path dependencies, a varied move, and all the things we've talked about is because of that behavioral issue, that's where we want to see a pickup.

Then because of those convexity in options, they go from worth nothing, worth nothing, worth nothing to exploding when you're starting to get that negative 20% attachment point, but then as soon as you start to move to negative 40, negative 50, negative 60 percent down in S&P, the convexity is going to really kick in and your portfolio could be up 70, 80, 100. It should have some convexity to it. So there's an arc of that return profile.

So when you're building a portfolio like ours, those are the heuristics that you're trying to roughly cover. Whether you can do it in reality is a different story, and maybe we'll get into what's happened this year and why a lot of people aren't doing well this year, especially as we have those drawdowns.

Meb Faber:

Yeah. Let's go ahead and get to it this year. I got a couple followup questions on this, but 2022, what's the switch?

Jason Buck:

So this is also why I believe in ensemble approach. So we have across our portfolio, trying to think what I can say, we have managers that are up quite large and we have managers that are down quite large. So the dispersion in 2022 has been enormous depending on what your trading strategy style is, but even if we look at like VXTH, which is long S&P, and then buying 30 delta calls on VIX, I believe it's down about 18% on the year and then PPUT, which is long SPY and then negative 5% put options on the S&P is down about 14% on the year. So they're both down more than the S&P is down, and that's supposed to be the idea of those indices is that you would actually have coverage there.

So what can happen is when you have these slow grind downs like we've seen this year and you don't really see that spike in realized volatility over implied, it's really hard for a lot of these managers to make money depending on what their strategy is, but other strategies that have done really well is looking at cross asset volatility. We talk about before, if you want to get a little bit of basis away from the S&P and trading currency vol or rates vol, fixed income vol, those things have been doing really well this year.

Other trades like dispersion trades, gamma scalping that have a little bit of a restriking component to them, those have done really well, but your classical tail risk or long volatility trades have really struggled in an environment like this. I mean, I think about the, and this is when we talk about the cockroach, the idea of having that total portfolio solution is long volatility and tail risk are really great for liquidity events like March of 2020.

When you have those correlations go to one, you really want that structurally negative one correlated trade to have convexity to it, but if you have these more slower drawdowns like we've seen this year or maybe even 2008, these are things that sometimes you want CTA commodity trend following for. Those are going to do well. So that's why we have those in our book too because we try to think about all the different path dependencies not just in vol space.

To give the audience maybe a quick rough heuristic, when you're looking at the VIX index, that spot VIX index is untradeable, and what really is tradable is it has a term structure to it with the VIX futures or with options around that, but what spot VIX is telling you is the forward expected variance over the next month, and I say variance because it can be to the upside or downside. Even though calling it the fear index and volatility is a bit misleading, it's just forward expected variance.

So if the VIX is at a 32, the rough heuristics is a rule of 16. It's to expect then a 2% daily move if the VIX says it's at 32. That's what the expected forward volatility or variance looks like. So if you have a day where the market tanks off, it's down 1.8% but the expectation was 2%, you're still within expectations. You can actually have vol come in when you think the market's selling off. I think this is where it starts to get tricky for people because during those long risk on cycles, VIX is very low, and as soon as you have any down move in S&P, we really see a spike in volatility.

So people think then it's negatively correlated and it's just for those down moves, where it's really variance to the upside or downside and it's based on, as everything in life, what are the expectations? Did expectations come in higher or lower? So throughout this year, we've had a medium sized VIX and so, therefore, the expectations have been fairly mid range and this drawdown has been within that range. So every day that it's bleeding or dripping down lower, it's within that range, so you're not going to see a spike in volatility.

Then the second part of that is, and not to get too in the weeds, but the idea is the VIX index is what we call floating strike volatility, where everybody buys fixed strike volatility. So I'll give just a rough heuristic example is let's say the VIX is at 10 and I'm buying a negative 5% out of the money put, but I had to pay up 15 for my volatility on that position. Okay. So everybody goes, "Okay. VIX is at 10," and then we walk forward in time and let's say two weeks from now we've drifted down towards that negative 5% towards my strike, and VIX, spot VIX, because its floating strike VIX has gone from 10 to 14, and you go, "Well, the VIX index is up 40%," and you go, "Not so fast. I paid 15 for my volatility on that put and now it's at 14. So I'm actually down 6.7% because that's what fixed strike is. I've paid for this, it's come down to my strike, but it's really based on what I've paid for that."

So with a higher volatility, we've seen that's priced into these options this year, this is what the headwinds are when you're buying put options in this kind of environment is even though people are looking at spot VIX and that VIX index which is untradeable, that floating strike versus fixed strike is what are you actually paying and then our expectations higher or lower.

Meb Faber:

So as you think about, you mentioned 2022 being pretty across the board with some of these strategies, how do you think about position sizing, the various strategies and managers? Is it a back of the envelope, "Look, we want to have 20% in these four categories and we'll rebalance when we feel like it"? Is it more complicated than that? How do you put that recipe together?

Jason Buck:

Yeah, it's twofold. So when we're looking at just the buying options, I look at the path of moneyness. So I want to have everything from at the money to out of the money, to deep out of the money. So I'm trying to cover a lot of those path of moneyness as that convexity starts to kick in. Then within those path of moneyness, we may be overlaying strategies with different monetization heuristics or slightly different wrinkles to their strategy to make sure we can cover it, and that's the bulk of our portfolio.

So when we're actually position sizing those, it's thinking about that path of moneyness as the S&P starts to sell off and we want to cover and overlay and overlap that path, but then when we add in these things like vol relative value or vol arbitrage and then the intraday trend following on the short future side, we start risk weighting them based on our own internal metrics, but it's very similar to Ulcer index or what's the ... Serenity index is the latest one, where we're more looking at downside, right? We're looking at Sortino ratios, we're looking at downside ball, max drawdown, duration of draw down. We risk weight our managers based on that on those sides because you can have better data on that where you need the path dependency on the option side.

So you're using a little bit of both heuristics, but I'm curious that your take is like what I always argue is we may be attenuating those based on all those risk metrics, but over a long arc of history, it always almost comes down to one over end. I mean, obviously, the volatility and drawdown is going to factor into there, but over a long arc of history, it's easy to almost argue one over end. Let's say you had 50% in five different vol arb managers or vol relative value, you could argue just allocate 10% to each and rebalance because over time, it's going to equal out.

Meb Faber:

What tends to be the reason, and you may not have full enough history for this to be that relevant a question, but when you give people the boot, what tends to be the reason why? Is there not following the rules, getting divorced?

Jason Buck:

Yeah. So this is the hardest question I think there is.

Meb Faber:

Buying Dogecoin?

Jason Buck:

Exactly. So it would be super easy, like I was saying with the SMAs and everything, to see their trades in realtime. The easiest answer everybody goes, "Well, when they don't stick to their knitting getaway." So if you have long vol managers and they start trading short vol options, obviously, kick them out. That's an easy cut. The other hard problem though that is actually even harder than that is what happens if they're in drawdown and they're exceeding their max drawdown previously? Is the strategy broken? Is the manager broken or is it just out of vogue given the path dependency of the selloff? I think those things are impossible to manage.

The other ones that are just outside the box that we've had to deal with is if a manager's in drawdown and their largest clients start redeeming, they might just go out of business. So then we have to look for replacing them. This is why, by the way, we follow 30 to 40 managers and I built an ensemble approach with Lego pieces because it's easy to replace those kind of Legos as people move in and out.

Then the only other thing that maybe is a little bit nebulous as well is if they trade a particular strategy and this environment has been really good for that strategy and they are doing poorly beyond what expected, then that would be a way to really reassess of whether you want this manager in the portfolio.

So I think this is one of the hardest questions and everybody's easy answer. It's always like, "Oh, when they go rogue and don't say ..." yeah, that's an easy fire. The hard part is, as you know, is when people are struggling for years on end, it's like do you cut them or now you're also ... Most managers have high watermarks, so now you're also crystallizing those losses in a way.

Meb Faber:

So somebody calls you up, they're like, "Look, I got 60/40. How should I think about position sizing this allocation to this strategy?"

Jason Buck:

So this is always, as you know, this is the number one question and I always like to say don't necessarily listen to what I say, watch what I do. So when we constructed a portfolio at a very high level, we're combining equal amounts of offensive and defensive assets. So if 60/40 we view as offensive, we need equal amount of defensive assets. The reason I say that is because these risk on assets like 60/40 stocks and bonds is they have huge left tails to them. They have a huge left skew. So for a decade, they might be making single digit or double digit returns, but then all of a sudden you experience a 50 to 80 percent drawdown. That's a huge amount of left tail.

Meb Faber:

To put a bow on that comment, we did a poll. Listeners, every time I say that you should have to drink. We did a poll and the poll was what do you think the max drawdown on 60/40 real after inflation was, and everyone gets it wrong. They're like 10 to 20 percent. I think that was even during a 14% drawdown, people are like 20%, and the answer was I think over 50.

Jason Buck:

I think that in the 1930s there would've been 60. I've seen 63 and 67 percent, but that was nominal, maybe not real.

Meb Faber:

Yeah, two-thirds. I mean, there's an old, I think, comment I used to make, which is you can't find a country in the world, there's maybe one, that hasn't had a two-thirds drawdown for 60/40 real at some point, and maybe it's Switzerland. There was one that was, I think, 50, but it's not 20 is the point. So I think a year this year surprises a lot of people, not listeners of this show or yours, but other shows, it surprises a lot of people. So tell me, how much should they buy?

Jason Buck:

So then the combination of those offensive defense, like I just said, offense has a huge left tail, your defensive construction has a huge right tail or right skew to it. This is why we want to pair those together. So the idea that watch what we do not necessarily what we say is we're combining equal amounts of offense and defense, and then below that we use that Harry Brown four quadrant model. So if I have 25% stocks, 25% bonds, I believe we allocate 25% to long volatility and tail risk and 25% commodity trend advisors. We also hold a little bit of gold and cryptocurrency for that fiat hedge, but that's the way we construct a portfolio.

Now, a lot of people are not going to like that, as you know, because it's reducing that exposure to 60/40, that 25% each model. So a lot of people worry about that defensive side, reducing their offensive side, but what we can do, and this is why we build it as a commodity pool operator using managed futures and options, is it allows us that unbelievable capital efficiency and that cross margin ability where we can be offsetting these positions. So it's a lot easier for us to in-house, apply some of that implicit leverage you get with futures and options contracts.

Now, hopefully, you'll push back to me on leverage, but the idea is in-house. What we do then is we're running 50% global stocks, 50% global bonds, 50% are long volatility ensemble, 50% are commodity trend ensemble, and then we'd run 20% of the gold and cryptocurrencies positions. So our total exposure is about 220% or 2.2x.

Meb Faber:

This is for cockroach?

Jason Buck:

Yeah.

Meb Faber:

Okay, but let's say, theoretically, someone is targeting just for the long vol strategy fund, hedge fund. If someone came to you with 60/40 and says, "Look, I want to replace part of my current portfolio. I'm old. I'm not changing my ways now. I'm not adding gold, I'm not adding other things. I just want you guys. Help me out here. How much should I give you?" Is it 10%

Jason Buck:

From what I just said with the four quadrant model, it's like, "Okay. Half your portfolio should be 60/40, and that'd be 25% in long vol, and that'd be 25% in commodity trend managers," because you need the commodity trend to offset the bond side and you want the long vol to offset the stock side.

Meb Faber:

Okay. So they're going to give you half their portfolio. I like it. You just upsold everyone on the listeners. I think that makes sense. So many people reach out to me when they talk about something like the CTA and the trend and they're always asking despite me 100% of the time saying I can't recommend funds. They say, "What do you think about these funds?"

I say, "You should buy multiple," because that gets you away from the binary stress of being like, "Why is AQR doing amazing or terrible? Why is this ETF doing amazing or terrible?" I feel like because most people will actually secretly want to gamble. They don't actually want the correct answer, which would be to buy six of them and just move on. They actually like the concept of perfectly picking the right choice. Tell me when to be in and out of stocks.

Jason Buck:

It's ego destroying. To actually admit that you don't know the way you and I do and build ensemble approaches is it's ego destroying where we all want the hero trade. We want to be able to tell our golfing or fishing buddies or at a group dinner how great we're doing, but we don't talk about our losses, and that's the way I think that ensemble, like you said, everybody really does actually want to bet because they want to be a hero, and to admit you can't predict the future and to broadly diversify is absolutely ego destroying and that's why I don't think people do it, but also, you set me up in the way about what percentages I do because there's two ways to look at that is if I'm talking to a financial advisor and I'm saying, "Give me half your portfolio," as you know, that doesn't really work, but if I say, "Give me 10% of your portfolio," they're going to give me that 10% and then they're going to forget about me and I can clip that coupon indefinitely.

So that's a good business business decision, but if I'm honest, it's not a good ballast to the portfolio. It's not going to be enough to really help you out when these liquidity events happen. So I'm stuck in that conundrum of like, "Look, this is what we build, this is what I believe in," versus what's a good business decision. So that's the other thing is people always want to give a tiny allocation to these strategies. Once again, everybody's got to drink because another one of your Twitter polls is how many people are allocated to commodities or commodity trend followers. It's always less than 10%, and what do you think that's really going to do to your portfolio?

Meb Faber:

Way less. It's something to talk about. There should be a show that's just the lie detector like when you ask some of these people real answer versus what you do, and the real answer is, "Look, business career risk, I want to be close to the mainstream because I'm going to get fired if I'm too far from the mainstream, but I'll add these things that will probably help, but I'll be honest and know that I don't own enough of them, but if I own too much, I'll probably get fired." So there's some career efficient frontier of advisors that want to do the right things but want to stay employed as well.

Jason Buck:

Sorry to cut you off. There's one thing I do I do want to address about this portfolio construction and the capital efficiency and using leverage. Everybody likes to run away from leverage, but as long as you combine uncorrelated and negatively correlated assets, you can have a prudent use of leverage to make the returns a bit sexier because that's what people don't want in the cash basis of permanent portfolios or portfolios like that that you showed in the past. On cash basis, they may clip along at four to five percent real over decades, which people should be happy about because they're outpacing inflation with their savings. So they should be happy but they want sexier stuff, as we talked about.

The way we think about is it's like everybody goes, "Okay. In the 2010s, commodity trend followers didn't do well," or whatever, and I go, "Okay, but depending on what index you look at, they may have carried at 2% CAGR over that timeframe," and I'm like, "If I can stack those in with the rest of my portfolio, then that's fantastic."

So the idea is if I can take 50% exposure to global stocks, 50% exposure to global bonds, and 50% exposure to each long volatility and commodity trend, the idea is as long as that ensemble can carry as close to flat during risk on times and then when risk off happens and they jump out from behind the curtain and really ballast and save your portfolio and then you can be rebalancing into stocks and bonds at a lower NAV points, you compound more effectively or efficiently. That's the way to be using these in a portfolio.

I don't think people really think about that as often is the performance chasing, but it's really like, "Okay. What's the emergent property or the aggravated effects of my portfolio no matter what macro environment I'm in over the next decade and I can rebalance between these things and I don't care if say commodity trend managers are carrying flat to slightly positive?" Then in 2020 they jump out from behind the curtain and the last 10, 11, 12 months have been fantastic for those portfolios. Even when let's say long volatility or tail risk has struggled, you need this broad diversification.

Meb Faber:

The people that reach out to you, say, listen to Meb Faber Show, they reach out to you and they say, "Okay, but I just want to hedge my traditional book side." What percent are interested in risk reduction and what percent are interested in, "All right. This is going to let me get even weirder. Now that I cover my bases more, I'm 2006 book. I'm just going to buy three more properties. Now that I have this hedge, I'm going to get even weirder"? My guess would be it would be 80%, 90% risk reduction.

Jason Buck:

Yeah. So you're pretty much right. Basically, the other thing is people coming into us, it's this weird issue of if you haven't read a Taleb book, a Spitznagel book or listen to you forever or read Chris Cole's white papers, the idea that you're going to get what we do is not possible. I'm not going to convince anybody to be generous that they should invest in us. So we are just trying to find weirdos like us. So that's only the people we go after or that come to us looking for water in a desert that want products we build.

So that's part of it, and most people, like you said, are looking for risk reduction. I started this conversation now or end this conversation with the idea is, to me, it is an entrepreneurial hedge. You can get a lot weirder with what you're doing entrepreneurially or what you're investing in privately.

So that's really exciting to me, but I think you nailed it. It's probably less than 5%, I would say, that really get looking at their life and their portfolio and their businesses holistically and thinking about hedging those so that way they can be much more aggressive because imagine 2007, 2008 happens and now you have ... Cash is worth much more than cash was worth in 2005. Not only do you have a convex cash position, but now cash is incredibly value, right? You can make payroll. You can buy out your competitors for pennies on the dollar. You can buy real estate for pennies on the dollar. Those things are incredibly valuable, and it's really valuable to an entrepreneur or a business owner.

Meb Faber:

I got a lot to say. One thing was, I mean, the people that drive me craziest are the VCs who should absolutely know better about the business cycle and consistently get upside down when things turn. So this year as the valuations have receded, and I'm like, "Your entire business should be anti-cyclical." Most of the money to work in the bad times when valuations are low and no one's interested and all the incubators are cutting their numbers and people are cutting their ... It's the exact opposite of what they do and it drives me nuts. You should be going crazy happy right now that all your competitors are like, "Whoa, things are going crazy. I'm going to stop investing. Got to cut my deal." No, it should be the opposite.

Jason Buck:

On that point, our mutual homie, Rodrigo Gordillo at Resolve used to always tell me, he's like, "You got to be crushing it out there in the Bay Area with VCs to buy your long volatility product."

I'm like, "Have you ever met a VC? They're never going to hedge their ... It's just not going to happen," but to your point is what people really don't miss, not only do you need to be countercyclical, but if you can take a liquid portfolio and you're overlaying it with these illiquid privates and you actually have a convex cash position actually when you need it most, when you need that dry powder, when you're having capital calls or you can buy up counter cyclically these business or make investments at a lower point is these things are incredibly powerful together, but I don't think people really think about that.

Meb Faber:

You're an entrepreneur. I'm going to give you two ideas. You ready? One is you should just do that, by the way. You should drive down to San Francisco and go knock on ... I have a tweet from January where I say, "I always wonder why my VCP friends never hedge their holdings." It's the most auto-correlated, cyclical business because Dave McClure, famous VC, he goes, "There's a lot of VC inside baseball and what's going on with startup valuations and short VCs are shitting their pants over existing portfolios while salivating over potentially more reasonable valuations." He called it a big fucking messy dump, which was my favorite quote of 2022, but I was like, "Why don't you guys ever hedge? It makes no sense to me," and he said, "It's rather difficult to hedge startup positions," which is I don't think is true. Actually, I think on aggregate, you basically get leveraged NASDAQ or ARC, but he says, "Most VCs don't have enough cash sitting around to hedge."

So I'm like, "Whoa! First of all, if you're a VC and you don't have any cash, you're a terrible VC, one, and two, learn about capital efficiency with Jason Mutiny." Anyway, and then he says, "Don't have a mandate to short public stocks veer their fund or prohibited from it," and I was like, "Yo, bro, but this is every VC. I do not, on the Venn diagram of VCs and trend falling and managed futures or even hedging, I think there is zero people that exist in the middle." I know of one, but I think he doesn't do it anymore. I think he's like, "This is too costly. Trend following isn't as good as my VCing so I'm going to get out of this."

Jason Buck:

Whoever figures it out can outcompete everybody because like you said, you have leveraged long beta, which is fantastic, and you combine it with capital efficient deep out of the money puts or something like that, and then you rebalance, you could outdominate those partners but you would have to do it over multiple business cycles and none of them think about over multiple business cycles. They're just trying to clip that coupon in the illiquid private.

I even say, imagine if Buffett used some maybe tail risk hedging on Berkshire Hathaway. I mean, he's had drawdowns of 55%. Imagine what his compounding would be if he reduced the left tail, if he reduced that volatility tax, but nobody seems to really think about these things and to me it's like-

Meb Faber:

He's an option seller. He's not an option buyer, he is an option seller, dude, although at his age he should be an option buyer, not seller. Here's the second idea for you. So first idea, market to the VCs.

Jason Buck:

Get me in touch with your boy, Jay Cal. Let's make it work. By the way, as far as I'm concerned, this conversation, I'm talking to a VC right now. I know you're going to pretend you're not, but you're an angel investor.

Meb Faber:

So he started a new website to track his public market trades and he says, "I want to be a great public market investor," and then he said, "I wanted to 5x my money in the next 10 years," and I was like, "Jay Cal, hold on a second. That's 18% a year. Lofty goal, by the way, but good luck." I think that's a big idea. The first idea is get all the leveraged equity bros to do something else with their portfolio because they don't. Two is, and Tiger is a good example, I think they were down 50 or 60 percent this year, just some insane number. Marcus is not even down that much.

Anyway, idea two, and this is an enormous idea. Corporate treasury, 99.999% of corporate treasuries just put their money in cash and T-bills, and you and I both know on a nominal basis, okay, in a world of four, six, eight percent inflation, you're losing a ton of money in their lower volatility, lower drawdown choices. We should write a paper on this. The only thing people do with treasury other than that is crypto, which is even worse idea. We've stated publicly many times, half our balance sheet is in Trinity strategies and half is in tail risk type of strategies. There's a lot of permutations you could do, but I think that's an idea that has unlimited scale. Now, talk about a tough challenge, right? No one's going to get fired for T-bills and Bank of America account yielding 0.05%.

Jason Buck:

I couldn't agree with you more. I wish we didn't agree this much but you'll be shocked, I even took that to the nth level. I've actually been talking to a lot of people that run Dows or on the board of a Dow or whatever about why would you use cryptos as your stables or stable coins and everything. I was like, "You want to up broadly diversify basket of the world's assets and that would be for your treasury. You should be using that for treasury instead of that."

Then I've talked to actual corporates and entrepreneurs, like you're just saying, "Run your treasury." Where I think you and I agree way too much is that the idea is if you had a broadly diversified basket of all the world's asset classes and you rebalance frequently, as you know looking at the broad history of these things, you can actually delever it. Choose your own adventure.

The idea is if you do it well or extremely well, you should probably get down to a 5% real return with maybe six to seven percent vol and maybe a seven to eight percent drawdown. You can delever it down to that. So if you had your corporate treasury, that's truly ticking along. The way I try to say it for everyday people is I'm so tired of us talking about investments when they're really savings and you need your savings to be there when you need them most. People call them investments because then you think you can make so much money off them you can retire early. No, it's savings. You need to save more. You need to manage your savings for no matter what can come and you need your savings to reduce the drawdowns of the volatility so they'll be there when you need them most.

So as long as your savings outpace inflation, that's the only thing you should care about. By holding all the world's asset classes, you don't need to debate about CPI or core PCE or any of that stuff. Your whole basket is really the inflation basket. Then you can attenuate, like we're talking about, with leverage, you can either deleverage or add leverage, and you can choose whatever adventure you want, and especially if you're putting in that corporate treasury, that's how you can have a sustainable corporate treasury that's not flowing around so much. Once again, they're going to have to drink because one of your poll is even about how much T-bills or cash have lost at any given time horizon, people are just shocked by that because you need other things in your portfolio that can even ballast out the cash position.

Meb Faber:

Eroding effects of inflation. Anything that just gets skimmed off, people don't really notice. The same thing with our world of fees. It's a great construct because you don't really see it. What don't we agree on? You said we agree on a lot. What are some things that we don't agree on?

Jason Buck:

I think there would be things because you brought up fees. I think that you would disagree with an expensive product that are ours that's layers of fees on fees, but to me it's always about what is your net after fees and what's comparable relative value, what else you could buy. It's really that simple to me. I think everybody talks about fees a lot as they should and everybody's gotten the low fee mantra, but it's always about what's my net return compared to unit of drawdown risk, and that's what matters to me more. I wish we could stuff our products into low fee products. It just doesn't work like that. You and I could talk for another three hours about the regulatory burden of trying to do that.

Meb Faber:

When are we going to launch the cockroach portfolio? There are some certainly non-safe work for tickers we could do for that. Do you think the SEC will-

Jason Buck:

We've talked about that. Do you go the first half or the second half of that work?

Meb Faber:

Either one is uninvestible.

Jason Buck:

I think about vehicles all the time and, like I said, if we can't stuff it into an ETF, could maybe stuff it into an interval mutual fund, but then you're losing some of the tax advantages you get from ETF. The other one, because I brought up Buffett earlier, is I really think the '70s style conglomerate in a publicly traded equity where then you are just internally hedging would be a very interesting model because then non-accredited can invest in it.

Meb Faber:

I had said a while back, I was like, "I don't understand because the Bitcoin ETFs can't get to market," this was pre-Sailor, I was like, "I don't understand why someone wouldn't just acquire some Shell or a company and then just buy a boat ton of Bitcoin." I was like, "You want to make that trade there. You now have spot Bitcoin," and then he's done it so whatever, but it's always interesting the structures and what is the best. A bunch of the hedge funders try to do a similar version as Buffet. Greenlight has one. I think Third Point has one where they're trying to do the reinsurance float, and then I think have also partially realized reinsurance is a harder business than they may have thought. I was like, "Wow, you get all this magic insurance float," and then they're like, "Oh, wait, we actually have to write good premiums and stuff."

Jason Buck:

It goes back to what, I mean, you and I have been texting about this for years, but the idea was you're always looking, "How do we find that permanent capital?" because like you said, if people need 10, 20 years to really assess the portfolio or different parts of the portfolio, it's like how do you find that permanent capital? I think you had a lot of interesting things of almost like reverse penalties where if you get out within less than 10 years, you have to pay the other people on the fund. There's all those liquidity preferences, but the one I've always thought was interesting is if you did it in a publicly traded equity structure and then you can start talking about different ways if people can use prudent capital efficiency if they're on interactive brokers or something and they have portfolio margin, they could actually structure their whole life around that where the nominal or notional value of that portfolio takes along and they can borrow against it to buy houses or buy cars, pay themselves back with interest, not have those liquidity events as we find with the billionaires do use to get equity out of their business without having tax consequences.

Meb Faber:

I mean, look, I give a lot of the robo advisors well-deserved crap for some of their practices and a lot of them are pretty good, but they certainly do some cool things on occasion, but one of the things they did was the low cost line of credit so you could borrow against the portfolio and any brokers, particularly when you have enough money, allows you to do that, which the rich certainly take advantage of as they should. Interesting. So I think an interval fund, if you were to come up with an interval fund and say, "Look, it doesn't have to be an interval fund. It could be a regular fund but with penalties for withdrawals." So basically an interval fund by name, same, you're forced to have a long term perspective. So you could invest in some illiquid things that you couldn't necessarily has to be publicly tradable daily I think is probably a great idea.

Jason Buck:

The part of that, though, is Corey always likes to argument, "Is the grass is always greener on the other side?" I'm curious to your take is. So we're a private placement and so you have to go through that whole PPM process which is hand-to-hand combat to really onboard and everything like that, but it can also create sticky capital on the backside. Whereas if you have an ETF or mutual fund and people are like, "I want the be able to hit the buy button coming in," but you're not talking about him, the sell button going out and not knowing your customer. So I think there's advantages and disadvantages to both that like you and Corey deal with.

Meb Faber:

Well, tough on the interval fund.

Jason Buck:

You can limit that, though.

Meb Faber:

Yeah, you can get 10% liquidity a quarter or something, but the way that I want to do it is even better, which is you're not limited to withdraw, you get dinged with a huge fee if you try to withdraw on years one, two, three, four, five, but I like the idea of that fee not going to the manager but going to the shareholders. So you get a little bit of carrot and stick both. Anyway-

Jason Buck:

Jerry Hayworth at 36 South does that. They have a liquidity preference that goes back to the fund holders because they're trading long term is the contracts and everything.

Meb Faber:

I don't know that. Let me look that up later. That's cool.

Jason Buck:

It's not a private stuff, yeah.

Meb Faber:

I like it. What else are you thinking about on the horizon? We got to keep you for a few more minutes. Anything on your brain that we haven't talked about that could be watch businesses, it could be other ideas, screwy ideas you have? Anything on the brain or things you're worried about?

Jason Buck:

Yeah. Well, I have tons of screwy ideas and I always worry about everything because I'm a long vol guy at heart, but one of the ones I always think about that we're always working towards is Cockroach 2.0, which is combining all of these liquid asset portfolios with the illiquid privates. I absolutely love and have followed religiously everything you've done from being an angel investor through the syndicates on AngelList, through your own investments and everything. It's like combining those too, that to me is the future that we're working towards and trying to figure out how to construct that portfolio so you have both the illiquid and illiquid can feed each other in the symbiotic way that makes both of them so much better. So that's one of the things I'm thinking about. Fresh on my brain, I hate to be topical, but this whole OFAC ruling on tornado cash or in crypto may just destroy DeFi.

Meb Faber:

What are you talking about for the listeners?

Jason Buck:

So the Office of Foreign Control has basically decided that Tumbler is like Tornado cash. We're maybe working with North Koreans. So therefore, you can be a designated bad actor and then you basically cannot use any off ramps. So then if they start applying that to even other DeFi protocols like Aave or Uniswap, and then you've ever used those at some point, you may not be able to get your cash back from on chain to off chain. So this could destroy the whole DeFi ecosystem. I know this isn't necessarily a crypto show, but it is an asset class, as you and I talked about. That should be in your portfolio at a percentage of the World Asset portfolio.

This has always amazed to me. People want to always argue that hero trade, like you said, they want to argue the thesis for or against. I don't care. Tell me what position size you're going to use and what's the rest of your portfolio look like in aggregate. Those are the only two things that matter. The arguments for or against crypto are just pointless, but that's what people like to talk about because everybody wants to put their ego on the table and show everybody what they know and what they don't know, and everybody wants to be optimistic or pessimistic, but I mean, you've done this so well. It's like just if that's one of the world's asset classes, you got to hold it in that position, in that percentage, and then you rebalance. It's a trading sardine.

Meb Faber:

Trading sardine. Most memorable trade? You got one? We talked about already?

Jason Buck:

Oh, man, I knew you were going to ask this and then I didn't think about it at all.

Meb Faber:

While you think about it, I think the name, the 2.0 Cockroach we should have as the mascot the Water Bear or Moss Piglet. Do you know what that is?

Jason Buck:

Yeah. I know exactly what that is.

Meb Faber:

I can never pronounce the actual tardigrades. I can't pronounce the actual bug, but they're very cute.

Jason Buck:

Yeah. I've seen those T-shirts and everything. They're great. By the way, and I know you've had fellow podcasts guests like Dylan Grice, and I think maybe a decade ago he wrote about Cockroach portfolios ideas and, quite frankly, it's very similar permanent portfolio and Bookstaber wrote stuff. What was interesting, and I know you'll love this because you're great about naming conventions, is actually our internal working name for a long time was Kraken, sticking with this mutiny seafaring theme. Then one day, I had the epiphany that Cockroach is evocative of exactly what we want to do, and then found out later after we launched Cockroach, found about Dylan's and Bookstaber's essays, but what's interesting is everybody told us not to name it that they. Told us it was a terrible name and we shouldn't go with it, and I'm like, "Do you remember it?"

That's all that matters because in our industry, everybody's got these three letter acronyms that nobody can remember. It's interesting in hindsight, everybody told us not to name it, but it's evoking exactly what we wanted to do. You can't kill it. We're trying to manage multi-generational wealth. Sorry, I derailed this from your question about memorable trade. I've had some really weird ones, but I'm going to try to think memorable and I'll try to ...

So some of the more weird ones were I used to do actually when I was at IMG Academy, I used to do all the homework for all my tennis professionals so I'd get all their gear. So I was just kid it out like Adidas, Puma, Nike, head to toe. That was one of the best trades I've done. There were things when I lived in Brazil, there's the shadow market. So you could triangulate the FX swap and I was making decent money in Brazil doing that.

Memorable, though, if I stick to the little definition memorable, it goes back to that 2007, 2008, obviously. That's what I built my whole life around at this point, but the idea of calling the housing crash and buying put options against those Countrywides of the world and losing money, there's nothing more memorable than that because it's also put me on this 12-year journey to bring these kind of products to the market. So I mean, I hate to be lame and repeat myself.

Meb Faber:

Yeah. There's a version of you that's just super rich in Charleston and weighs 300 pounds and is unhappy and you didn't learn anything and you're just an asshole. I like this version of you so much more, but we'll never know except in the metaverse. That's one of those where you just look at the heavens and be like, "Who is cursing me here on this scenario that this possibly happened?" but lesson learned, you won't forget that scar anytime soon.

Jason Buck:

I did want to remind while we were still, hopefully, this stays in and on air, but one of these times when we're visiting each other, especially if I'm down there, I want to hang out with your wife too because she was a philosophy major, right? So her and I could just naval gaze for hours on end talking about Heidegger and stuff.

Meb Faber:

Yeah. That's my favorite type of dinner. I can just sit back and drink my not an IPA and just reminisce.

Jason Buck:

In fairness, I think what both you and I do is a form of practice. We both have a personal philosophy of how we view the world and then we build products around it. So it's philosophy and practice. It's practice. I mean, that's what we do. So we can try to pretend we're not philosophers, but you either like our philosophy or you don't and that's what we do.

Meb Faber:

Yeah. We're both eventually just turning into Fortune cookies. On that note, Jason, had a blast today. This has been way too long and coming and we need to do this more often, but for listeners, where'd they go?

Jason Buck:

You can find us at mutinyfund.com, where my partner Taylor does all sorts of great essays in all of our media, and then I'm @JasonMutiny on Twitter.

Meb Faber:

Thanks so much for joining us today, bud.

Jason Buck:

Thank you. Appreciate it.

Taylor Pearson:

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