

Consider this

# Slowly then suddenly: The power of sustained success

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When we think about breakout success, we often envision a phenomenon characterised by sudden and rapid changes—a rocket launching into orbit, for example. The default condition of a rocket is to be stationary on the ground, but in a relatively short period, it leaves the earth's atmosphere. To achieve this, the rocket must overcome Earth's gravitational force, requiring an extraordinary amount of energy. To reach escape velocity, the rocket needs to travel at 11.2 kilometers per second or 40,234 kilometers per hour. Even a casual observer can appreciate that this speed demands a monumental amount of energy.

## The concept of escape velocity: A side note

If you've ever heard the assertion that black holes possess such intense gravitational forces that not even light can escape, the concept of escape velocity is key to understanding this phenomenon. Escape velocity is the speed an object must reach to break free from another object's gravitational pull. In the case of a black hole, the escape velocity equals the speed of light—about 300,000 kilometers per second. Since nothing can travel faster than light, not even light itself can escape the gravitational pull of a black hole.

Let's consider the definition of velocity for a moment. Velocity is defined as displacement per unit of time—a measure of how much work has been done (distance covered) in a given amount of time. This concept of work done over time is pervasive across many fields, including commerce and economics, where the equivalent is production or yield over a given period. Since time is the most static of variables (we cannot change it in any way), the focus often shifts to magnitude—how much work has been done.

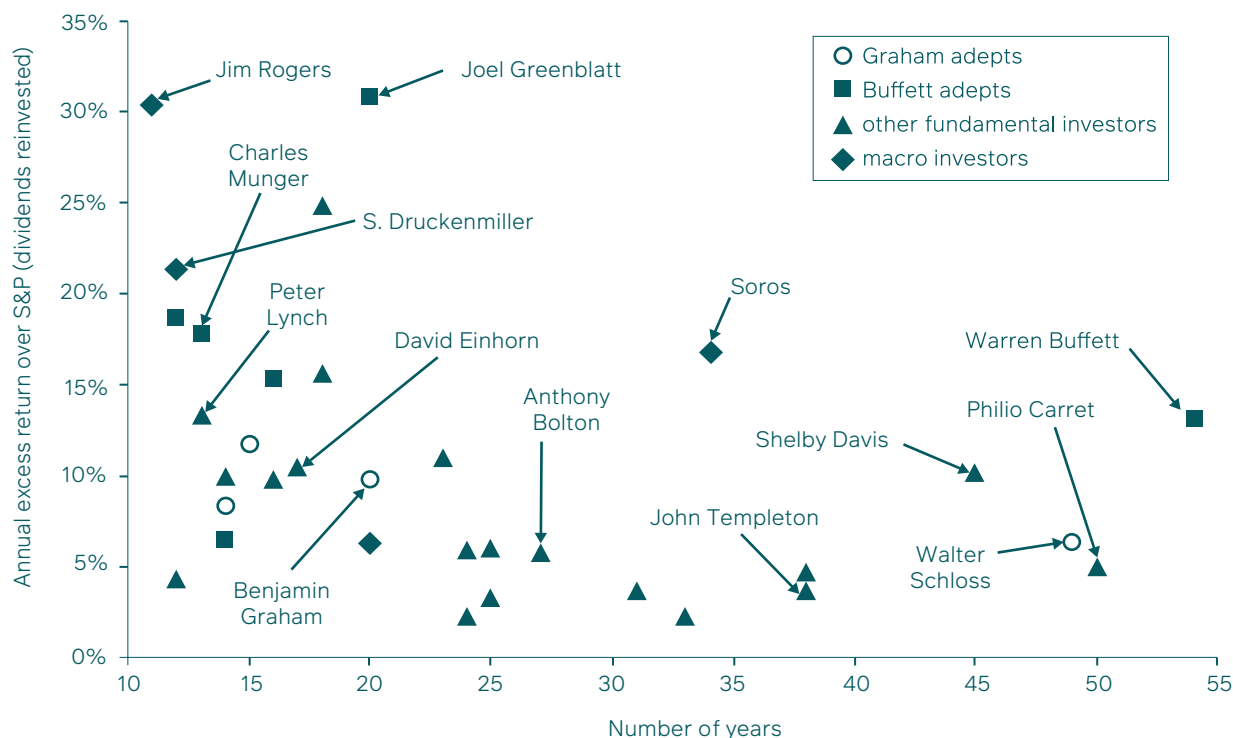
We compete on the top speeds of performance vehicles, debate the profitability of various industries, and rank the annual performance of investment professionals. In a time-scarce world, it's reasonable to emphasise (and even celebrate) the magnitude of achievement. But are we missing something equally potent by not giving the same degree of focus to how long something can be sustained?

## Duration: force majeure

*"You can be an extraordinary investor by earning average returns for an above-average period of time."*

- Morgan Housel

**Figure 1:** Approximate excess returns versus the S&P 500 Index (with dividends reinvested) of top investors



The figure above, sourced from “Excess Returns” by Frederik Vanhaverbeke, offers a valuable comparison of the excess returns achieved by several rockstar investors (relative to the S&P 500) and the length of time over which those excess returns were sustained.

One might notice a general negative relationship between the magnitude of excess returns and the number of years they were upheld. The two-dimensional nature of an x-y plot implies equal importance between these two variables, but this depends on the underlying investor and the opportunity set. However, it does appear, based on how few investors have achieved it, that sustaining excess returns for a long period is rare.

The formula for estimated Future Value when returns are compounding is:

$$FV = PV \cdot (1+r)^n$$

Where:

FV = Future Value

PV = Present Value

r = return per period

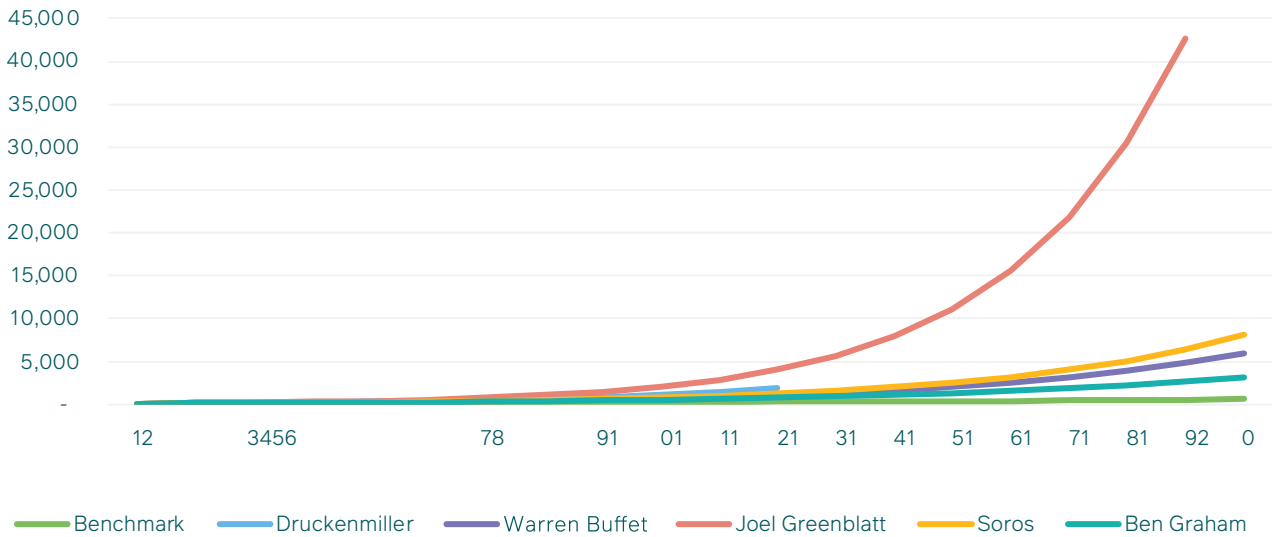
n = number of periods

In keeping with the terminology discussed earlier, r represents magnitude, and n represents the length of time. The charts below visualise the effect of both the magnitude and sustainability of excess returns for a select group of investors, namely:

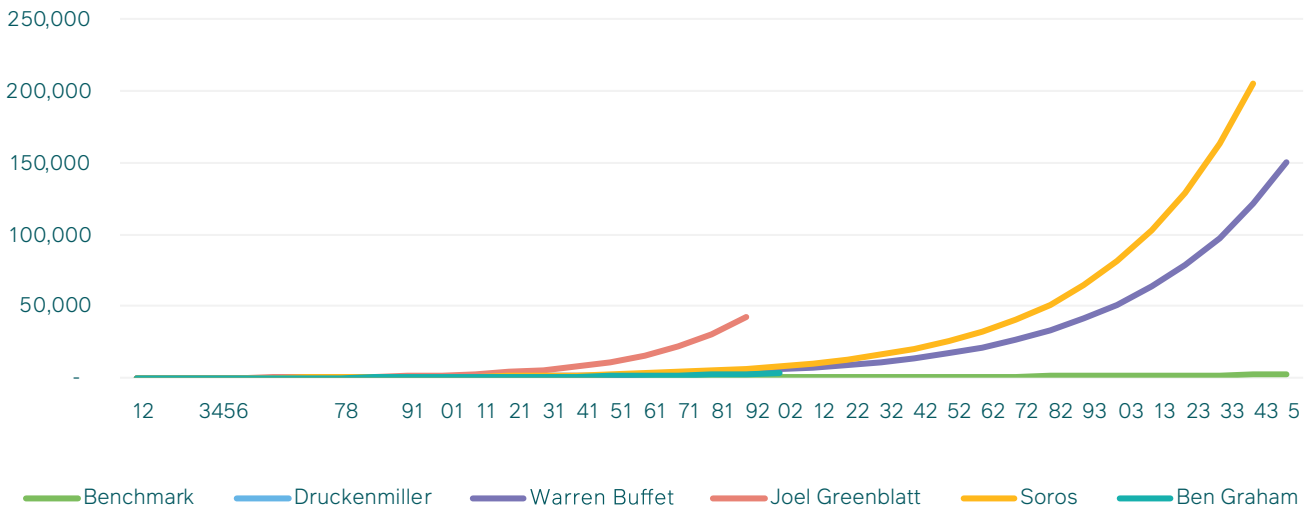
1. Stanley Druckenmiller (excess return of 21% for 12 years)
2. Ben Graham (excess return of 10% for 20 years)
3. Joel Greenblatt (excess return of 30% for 19 years)
4. George Soros (excess return of 16% for 34 years)
5. Warren Buffett (excess return of 14% for 55 years)

The benchmark return against which all these investors are measured is running at 10% per annum, in line with the long-term average return of the S&P 500. While this isn't entirely accurate, it doesn't detract from the point being made. The charts depict three time periods: 20 years, 35 years, and 55 years.

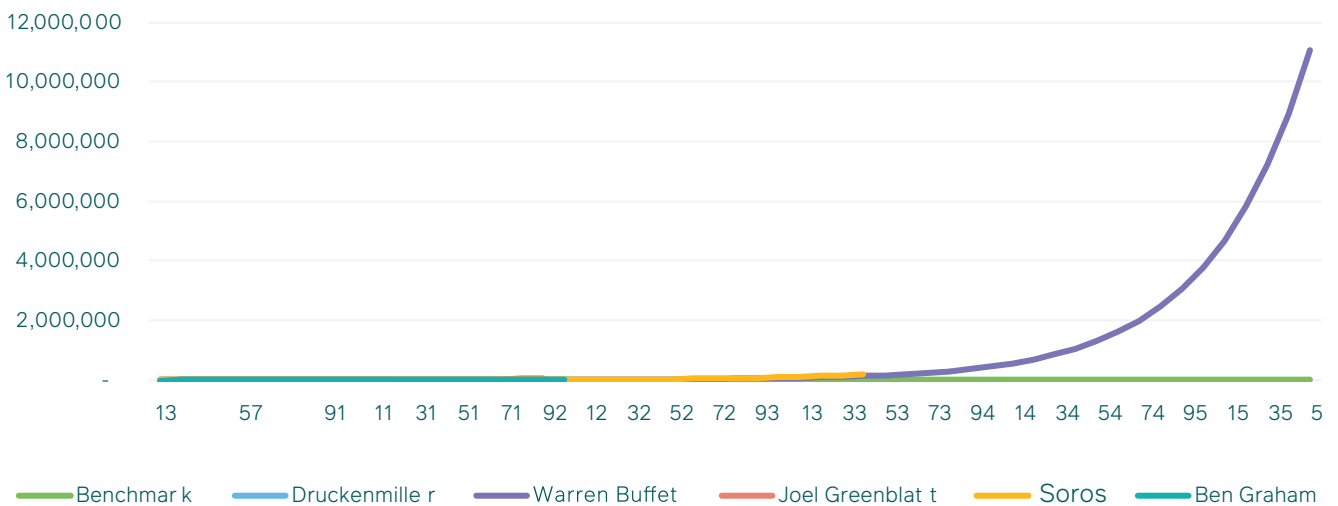
### Select investor track records vs benchmark (20 years)



### Select investor track records vs benchmark (35 years)



### Select investor track records vs benchmark (55 years)



Visualising investment track records in this way is enlightening. A few observations stand out:

- Over any given time period, higher excess returns lead to better track records\*\*, even when the differential between investors is small (see the difference between Soros and Buffett when compared over the 35-year period).
- For all time periods, return series seem to start slowly and then accelerate.\*\* This is most pronounced for the 55-year duration, particularly with Warren Buffett's track record. This reflects a well-known but still unintuitive feature of compounding returns.
- The most striking observation is how shorter-term track records seem to “melt” into the horizontal axis when compared with longer-term track records. Despite stellar outperformance in the short term, the power of compounding, when allowed to operate over the fullness of time, is beyond intuition.

## Sustained success

*“I want to go somewhere far, far away”*

- Anon

Achieving excess returns above a competitive benchmark like the S&P 500 is challenging. Doing so over decades is remarkable. But when we start talking about sustaining excess returns for half a century-as seen with investors like Warren Buffett, Walter Schloss, and Philip Carret-these outcomes are unprecedented. While following such track records is nearly impossible, the lesson here is clear: let time do its work.

Sustained success is not about explosive, short-term gains. It's about consistent, persistent performance over the long haul. Just like the concept of escape velocity in physics, the real power lies not only in the initial burst of speed but in the sustained force that carries an object into orbit and beyond. Similarly, in investing and other areas of life, the true measure of success is often found not in the magnitude of a single achievement but in the enduring power of sustained effort and patience.

It's not just about how fast you can go-it's about how long you can keep going.

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