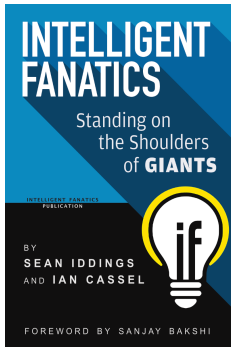

Author interview:

Sean Iddings and Ian Cassel, “Intelligent Fanatics”



Sean Iddings and Ian Cassel are...

Sean is the founder of Unconventional Capital Wisdom, a registered investment advisor in New York State seeking to invest in high quality microcap companies led by intelligent fanatics. He is a member of MicroCapClub and writes about investments, entrepreneurship and leadership on a number of blogs and publications.

Ian is a full-time microcap investor and founder of MicroCapClub. Ian started investing as a teenager and learned from losing his money over and over again. Today he is a full-time private investor that supports himself and his family by investing in microcaps. Microcap companies are the smallest listed companies, representing 48% of all public companies in North America. Berkshire Hathaway, Wal-Mart, Amgen, Netflix and many others started as small microcap companies. Ian's belief is that the key to outsized returns is finding great companies early because all great companies started as small companies.

MicroCapClub is an exclusive forum for experienced microcap investors focused on microcap companies (sub \$300m market cap) trading on United States, Canadian, and UK markets. MicroCapClub was created to be a platform for microcap investors to share and discuss stock ideas. MicroCapClub's mission is to foster the highest quality microcap investor community, produce educational content for investors, and promote better leadership in the microcap arena.

Both Sean and Ian co-created the book “*Intelligent Fanatics Project: How Great Business Leaders Build Sustainable Businesses*” (2016). The book is a culmination of years of experience, intense study and collaboration on the common patterns between some of the most successful companies and leaders of the 19th and 20th century. Their goal is to help both investors and entrepreneurs generate extraordinary long-term returns and positively impact the world. Now they are releasing their next book “*Intelligent Fanatics – Standing on the shoulder of Giants*” – with deep dives into nine new fanatics and their business stories.

www.intelligentfanatics.com; www.microcapclub.com; @iancassel; @iddings_sean

InvestingByTheBooks: Sean – it has barely been one year since we spoke about your first book, but it feels much longer. So much has happened in that time-span. How has the year been for you, both releasing the first Intelligent Fanatic-book but also working on this new one?

Sean Iddings: It has been a wonderful year. We released the first book a week before my daughter was born. So it's been a fun trip balancing my new role as a father, co-writing another book and launching our new website along with everything else.

Others may quote and refer to the contents on this website provided that they have the author's consent and proper reference is made to investingbythebooks.com.

Let me say that I'm very thankful for the wonderful "partnerships" in my life, most notably my wife Samantha and in business with Ian. Life is so much more enjoyable when you get the right partners.

InvestingByTheBooks: Our exact feeling as well, working with Investingbythebooks.com! You decided to "eat your own cooking" in a way with your first book ("Intelligent Fanatics – How Great Leaders Build Sustainable Businesses"), which you unconventionally in true intelligent fanatic-style self-published (thanks Amazon!), instead of walking the beaten-down path of using a big publisher. How was that experience?

Sean Iddings: We've enjoyed the experience. Ian and I have been free to build the Intelligent Fanatic brand as we see fit. We continue to evolve and iterate it as we learn. I can imagine that traditional publishing would have been more restrictive. Our vision has always been much more than writing books. You can start to see that with our new website and research community.

InvestingByTheBooks: How much is this new book a "sequel" (in the sense of incorporating feedback and lessons learned from the first book), and how much is it meant to be a stand-alone product?

Sean Iddings: I'd say "*Standing on the Shoulders of Giants*" is the natural progression. It's an extension of the first book in that it provides nine more intelligent fanatic case studies. We look at each leader's story and identify what made them and their organization special. What's different, thanks to feedback and personal reflection, is that the new book contrasts these leaders and their organizations against competitors. We feel it gives the reader a better picture of how special these leaders and their organizations truly were/are. And this book is less from an investor's perspective. It's more holistic.

This time we asked ourselves: how do these leaders deliberately prepare? We want to know so we can apply the same techniques ourselves.

We believe this is the question everyone should be asking themselves if they want elite level results in any endeavor they choose. Be it investing, and operating or leading a business. Work to become an intelligent fanatic and you'll have few "competitors".

And the pattern we find amongst nearly all our cases is that they optimised the use of mentors – either directly or indirectly.

InvestingByTheBooks: At InvestingByTheBooks, we used to have the full "Standing on the shoulder of giants" - quote on our website. It's such a powerful concept. Tell us why you chose this title for the book?

Sean Iddings: It comes back to the master-apprentice model. I wasn't surprised when I saw the pattern occurring again and again amongst intelligent fanatics. I have a jazz/rock music background where "standing on the shoulders of giants" is very common amongst those who achieve the highest levels. And I have experienced it personally, although I'm not an elite musician by any means, so it's in my bones.

You could even call many of these virtuoso musicians intelligent fanatics themselves. And you find these people in other fields as well. We felt this was a perfect angle to go with the book especially since we all want to achieve intelligent fanatic-level results.

InvestingByTheBooks: There is one chapter on each of the nine Intelligent Fanatics and the company they created/changed. In terms of how you built the stories this time around – did you change anything in the creative process? Why/why not?

Sean Iddings: Nothing changed in our process. We kept our eyes and ears open to finding this book's cases. For instance, we stumbled on Milliken & Co. while doing a due-diligence trip for a microcap company. We actually took a tour of one of Milliken's plants, talked with one of the senior executives and heard stories of Roger Milliken. And we're thankful to the many contributions from readers of our first book as they gave us many great potential candidates to look into.

InvestingByTheBooks: Most of the intelligent fanatics in the book have been the subject of a memoir or biography. Was this something you saw as an added benefit? Which one would you really recommend we read?

Sean Iddings: There is a method to our madness. We are fanatical about the details. We prefer to get as close to our subjects as possible. When there is a memoir, autobiography, or possible interview(s) from an IF this is gold to us. We want to internalize their experiences, their wisdom, their words direct from the source. The more layers between us and the fanatic, the higher the chance of missing the true lesson. It's the same as the musician internalizing the sounds of their musical heroes. They go directly to the source material. It'd be silly to internalize the hacked up versions of those same songs done by the 15 year old down the street, right?

Of course when an autobiography, memoir or interview is not possible it is best to get accounts from people close to them. Well done biographies get as close to the source as possible and provide varied views.

Our books and case studies really are just a launching point in studying these individuals. We suggest reading all the sources in our book's Notes. And to make it even easier we'll have all our extensive notes from each book and cases available to premium members of our site.

InvestingByTheBooks: The definition – your definition! - of an Intelligent Fanatic on the book's back cover is really dense with key words, all extremely important. I have really tried to memorize and internalize these lines, in order to bring it into my work. But I think a key concept is also the discussion you have inside the book of the difference between an IF and a genius. How does one go about trying to tell the difference between the two?

Sean Iddings: We're humbled that you are trying to internalize our definition, but be warned. It changes constantly as we continue to learn. So be prepared to relearn it often.

But you made an astute observation. There must be a clear line in the sand drawn between genius and an intelligent fanatic.

First, you don't want to be misguided by the genius. Geniuses naturally see the world differently than us common folk. Warren Buffett is one of a kind because he naturally absorbs practically everything he reads. When he says read 500 pages a day that works for him. It's horrible advice for everyone else. It's like Mozart, who could recall and play perfectly every song he heard once. It's once a generation or less that someone has that ability (in the whole world). I'm more interested in how the fanatics work to get close to genius because most aren't endowed with a naturally superior mind like Warren's.

Second, geniuses are so rare that once they're gone the company often loses its luster. Walt Disney was a genius. When he was gone there was a long period of stagnation. No one could fill his shoes. Intelligent Fanatics on the other hand often are better at building their future leadership bench. Take for instance Peter Kiewit. He built Kiewit Corporation into a mammoth mentoring machine. The company continues to excel more than 40 years after he has left.

InvestingByTheBooks: The level of detail in the stories is just phenomenal and give the selections a very authentic feel. But still you have managed to keep the book very concise. What specific areas of the narrative around the IF and the company did you choose to focus on and what parts do you leave out?

Sean Iddings: We focus on the most important attributes of each story, culture and leadership method. We cherry picked the better attributes, as we want to internalize the best qualities of others. No human being is perfect. We all have flaws. So it's best to throw them out.

There are a few examples where we showed an IF's flaws just to prove that each fanatic is not perfect, and also because those flaws were material to the story.

InvestingByTheBooks: The chapter about Jack Henry is one of my favorites in the book, mainly because of the richness of the story with many aspects about an employee-first culture. But I also found it fascinating how close they were to never get to achieve all this success, due to a "mid-life crisis" and a takeover that was aborted at the last minute. They share this with many other IFs of course. But could their "fix the problem, no matter what" philosophy eventually fizzle out as the company is now too big, making oversight and trust hard to enforce?

Sean Iddings: That is a great question. In my opinion, I could be wrong, the stronger the culture the less likely that things fizzle out as the company gets larger. I can imagine that it does get harder to maintain, though. The one area where I do see a problem is with growth by acquisition, which Jack Henry has been focused on. There gets to be a point where a company gets too big and can't find the "right" acquisition candidates. And I've found that many companies have a very hard time changing around a well-ingrained decent to poor culture. I like to study nature, and there are many instances where mother nature has a natural limit to growth. For instance, bee colonies get to a certain size and will start to break off into new colonies. There are other examples. Bigger surely isn't better, and I think companies need to be aware of reaching the size that is suitable to them and start to figure out ways to break up and focus on managing internal growth. I think Kiewit Corporation provides a great model. Level 3 Communications started out as a subsidiary of Kiewit's Diversified Group and was later spun off in 1998. The company turned out to be a huge win to Kiewit in terms of returns and impact on the telephony/internet industry. Now if Level 3 continued to be a part of Kiewit Corp., there would have been less focus on that operation as well as their core construction business

InvestingByTheBooks: The dilemma in the chapter on McDermid Inc and Dan Leever upon being rolled up into Platform Chemicals is certainly familiar. What would have been your course of action here?

Sean Iddings: I hope that now given what I know about McDermid's past, that I would have not done the LBO with private equity Dan did. It's a continual reminder to pick the right partners, ones who are aligned in spirit, vision, and finances. Give up some of that control to non-like minded partners, and you are at their mercy. I'm fortunate to be learning this lesson vicariously while I'm still young.

InvestingByTheBooks: Both your first book and this one deals with past Intelligent Fanatics. Is there a danger of running into a “Good To Great” problem (where the staying power of a few companies profiled proved to be less than stellar) preventing a book on current IFs?

Sean Iddings: While such a book might be interesting, and probably sell well, we think there is more to be learned from with proven past fanatics. Like footprints in the sand, we can see the exact path past fanatics took and what happened. And with careful study, see what they saw along the way. These individuals then provide us the perfect “roadmap” for us to follow forward today.

InvestingByTheBooks: We are glad that somebody values principle over sales...! And it might be a discussion that is more interesting to have as an interaction with your members on the site, as it is more of a debate rather than learning valuable lessons from previous, proven “giants” of corporate history?

Sean Iddings: That, too. And we can test to see how well such a corporation is doing today.

InvestingByTheBooks: In a choice between a more well-known person/company or someone flying below the radar to portray, was there a conscious decision to mainly go for the latter one in the book?

Sean Iddings: Yes, we specifically looked for under the radar fanatics. We think there are hundreds if not thousands of them that are out there that few people are aware of. And their stories/lessons are amazing!

InvestingByTheBooks: Can you have a true IF in a large cap company? Apart from Warren, who would be your pick for best Large Cap IF of today?

Sean Iddings: Sure, there are plenty IFs in large cap companies, especially in private companies. As I mentioned earlier, Warren is more of a genius so I wouldn't pick him. And for me it's like picking my favorite musician or song. There are a few good ones and you can learn something from all of them.

InvestingByTheBooks: We have already taken up too much of your - and our readers' - time! Final question; when will we have the first profile of a female Intelligent Fanatic?

Sean Iddings: We already profiled Mary Kay Ash in our first 40-page case study to members on our site. There are other examples, but there are fewer females in history of course leading businesses of large size. This is changing though.

InvestingByTheBooks: Thank you so much. A true pleasure. All the best to you and your family – at home and at work!

InvestingByTheBooks, December, 2017

www.investingbythebooks.com

@Investbythebook