THE ILLUSION OF INTRINSIC VALUE

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> *Nothing has intrinsic value. Value is not a property of objects. It is a relation between a thing and a striving — measured entirely by whether the thing increases or diminishes the power of the conatus that encounters it.*

THE CORE INVESTMENT FORMULA

$$\text{Conatus}_{\text{firm}} = R + M + A + B + C$$

Where each dimension is assessed qualitatively on a scale of weakening / stable / strengthening

DIMENSION	QUESTION	STRONG CONATUS	WEAK CONATUS
Revenue Recurrence	Do customers return because the product increases their power?	Product is causally necessary to customers; switching reduces their power	Customers stay from inertia; switching cost is low; churn is hidden by new sales
Margin Defensibility	Can competitors replicate at lower cost?	Moat: network effects, scale economies, regulatory barriers, genuine brand loyalty	Commodity product; price-taker; moat is a patent expiring within 3 years
Adequacy of Management	Do leaders understand the causes of success?	Articulates causal drivers clearly; capital allocation consistent with stated understanding	Uses jargon; pursues size over power; changes strategy every 2 years
Balance Sheet Resilience	Can the firm survive a 30% revenue decline for one year?	Cash + available credit exceeds fixed obligations under worst plausible case	Debt requires refinancing; one shock away from dissolution
Cultural Adaptability	Does the organization modify its pattern in response to change?	Has successfully navigated a technological or regulatory shift	Has dominated a stable industry and never been tested; adaptability unknown

ENTRY DECISION

BUY when Conatus is STRONG and Price is WEAK.

Price is weak when the crowd's affect is negative for reasons that have no bearing on the firm's power to persist: quarterly miss, sector rotation, macro headline.

SELL when Conatus WEAKENS, regardless of price.

HOLD when Conatus is STRONG, regardless of price movement.

DO NOTHING when Conatus is UNCHANGED.

FIVE REJECTED DOCTRINES

DCF. Every input is an inadequate idea. Arithmetic applied to speculation produces the illusion of precision.

Efficient Market. Prices reflect affects, not truths. The same earnings report produces buying in a bullish crowd and selling in a bearish one.

CAPM / Beta. Volatility is not risk. Risk is the probability of permanent conatus impairment.

Buy Low, Sell High. There is no true price to revert to. Buy when conatus is strong and price is not. The chart is past affects. The conatus is present fact.

Growth vs. Value. Labels are noise. A fast-grower with a weak conatus is a speculation. A slow-grower with a strong conatus is an investment.

SPINOZAN MAXIMS FOR THE INVESTOR

Price is an affect, not a fact. The quote is the crowd's mood.

Margin of safety is conatus insurance — a buffer against the unknown, not a discount to fair value.

Concentration follows understanding. Diversification is protection against ignorance.

Volatility is someone else's affect. A 50% decline in a strengthening business is a gift.

Do nothing, often. Inaction is the active refusal to let external causes override internal understanding.

You are not your returns. The portfolio is a number produced by a crowd. Your worth is the adequacy of your understanding.

The only edge is understanding. Every other edge is temporary and can be copied. Causal clarity cannot be arbitraged away.

The market is a crowd of inadequate ideas. The adequate investor observes it, understands it, and acts only when it offers terms his understanding recognizes as favorable.