

Letter to Clients

October 2025

Succession

"Let me know when your whole life goes up in smoke. Means it's time for a promotion."

The Devil Wears Prada

"This time it's personal."

Jaws: The Revenge

A storied pizza chain with sinking sales. The reluctant in-house acknowledgment that a lousy product was to blame. A young marketing guy to the rescue, with a Hail Mary ad campaign acknowledging the poor quality of the pizza and featuring both critics and "chefs" working to design a new pie. In the wake of the debacle and pursuant to a previously adopted Board plan, the President of US operations is installed as the new CEO. He serves successfully for eight years before moving on to new pastures, after which his own successor, the President of international operations, serves a few years before he, too, elects to retire. Finally, a decade or so after his brash ad campaign helped revive the company, the architect of the earlier turnaround, Russell Weiner, is appointed CEO. The vicissitudes of the business present new challenges following his ascension in 2022, but Weiner proves an able helmsman of a company which, at its core, represents the marriage of marketing savvy and operational finesse. The company continues to draw people to **Domino's** website, apps, and stores. And really, who can resist the siren call of "emergency pizza"?

Succession happens. Just not always as successfully as in the case of Domino's. Long a convenient literary trope for depictions of family and corporate dysfunction, CEO succession is, IRL (not just on the page or screen), one of the most fateful and potentially dangerous events in a company's life cycle. At its best, a change in leadership can be transformative; less colorfully, it can be perfectly banal (and that's often okay too). But at its worst, it can spell actual disaster, as in the case of our favorite poster child of debased culture, Boeing. Despite the many possible pitfalls, though, lots of companies get it right. But to do so typically takes careful planning and thoughtful Board engagement. And even then, there are never any promises that the newly crowned leader



won't, like Tom Wambsgans¹, turn out to have been in it for the power and the status—not the mission—all along.

The Plot

To state the obvious, most if not all businesses suffer if the CEO is bad, while they have at least the opportunity to measurably improve growth, operational capabilities, and financial returns if the CEO is good. A CEO needs to be mission- and culture-aligned, smart, strategically savvy, and an excellent leader and communicator. These are among the many traits that we look for in management broadly, and the CEO in particular, before we take the initial plunge into owning a company's stock. Of course, no management team is perfect, just as no company or industry is, and certainly no individual can embody each of the ideal attributes that our fantasy CEO has. We make our peace with that, understanding the trade-offs inherent in any investment. But any change in leadership poses a singular problem for investors such as us in its ability to destabilize a firm whose management style we have already assessed and grown comfortable with—warts and all—over the course of our investment.

Acknowledging that, we begin our assessment of a company's approach to leadership change well before the corporation's PR department issues its "the Queen is dead, God save the King" press release. Indeed, it starts with our initial research into the company and its succession planning and moves on to the actual designee as that person is identified. But only rarely can we substitute our judgment of a person for that of the Board; unless there is strong reason to believe from the jump that the person is ill-suited to the job or that the process itself is corrupt², we need to wait to see how their performance pans out, paying particular attention to the kinds of decisions that are made or not made. The final piece of the puzzle, therefore, is always seeing that person in action for a while (ideally during a crisis, but we're not always so "fortunate" as to have one at our fingertips). In other words, our work on succession begins far in advance of the changing of the guard and typically continues well past it.

It would, of course, be nice to have a neat and tidy litmus test for making these judgments, but we have yet to find one. Though there are some red flags we've learned to be on the alert for

¹ Spoiler alert for anyone who hasn't gotten all the way through the final episode of the HBO series "Succession"! Wambsgans is the goofily gregarious but deftly conniving successor to Logan Roy at Waystar Royco in the series.

² By which we mean corrupt with a small "c", in the sense that it is not fundamentally designed to arrive at the optimal candidate.

(about which more later), the best we've been able to do is, first, develop an opinion as to what "bad" versus "good" leadership might look like at any particular point in time at a specific company, with due deference to its unique corporate culture. And second, to formulate a basic set of heuristics around what constitutes a healthy versus an unhealthy search process. If this sounds unsatisfying, that's because it is. And yet, we believe that under scrutiny, most companies disclose their secrets, just as most people reveal their salient attributes in due course, especially when they occupy positions of power. In essence, we are looking to produce our own compelling succession narrative, maybe not for the silver screen, but with its own well-drawn characters, vivid setting, unique tone, and, hopefully, satisfying ending. Only then can we decide whether we want to keep it in our viewing queue.

The Prologue

Digging into a company's succession planning can be fruitless (boilerplate language about having a "robust Board process in place" just doesn't cut it) unless you have a sense of what you're looking for. As with so much that has to do with investing, we often find ourselves outside the plate glass, looking in, attempting to lip-read. Yet there can be "tells" of seriousness: some companies, for example, are willing to flag their next generation of leaders, if not in the singular role of CEO, then at least in the ranks of the aspiring, through internal management training courses. We find that those kinds of exercises can be a mark of seriousness and purposefulness. A few of us were fortunate to have participated recently in a class held at the New York Stock Exchange, under the auspices of the CEO and CFO of **Cummins**. We were brought in to speak to the group about why we held Cummins stock and the signifiers of quality we look for as investors in a company. The assembled employees posed excellent questions, CEO Jen Rumsey and CFO Mark Smith took the program very seriously, and there appeared to our eyes to have been no sharp elbows, preening for the bosses, or other unpalatable behavior among the attendees—simply a desire to learn. **A collaborative process of exposing future leaders to the broader horizons of corporate management and deliberately moving people into suitable positions to further their education is one hallmark of thoughtful succession preparation.**

On the other side of the ledger, sometimes a company will proudly tell us that it runs a "beauty contest" wherein a handful of (usually either actively or passively aggressive) candidates vie for top slot. We love to hear that, because it's an automatic "no", and clarity in this area is refreshing. We learned this lesson (as we have often learned our most important lessons) the hard way, by experiencing the consequences. Those of us around at the time still recall when, on a visit to



Wells Fargo's San Francisco headquarters some years ago, former CEO Dick Kovacevich told us that a handful of gladiators within the C-Suite had been selected to demonstrate their bona fides over time. It was never clear what they were looking for in the winner, though the one chosen, the affable, well-coifed John Stumpf, was, in hindsight, simply the smarmiest and most likely to have (discreetly) curried favor. **The dynamic inherent in an internal horse race of this sort is intrinsically flawed; the incentives are for the candidates to be showy, to ingratiate themselves, or to attempt home runs rather than workman-like singles.** As in so many other areas that require managerial nuance, General Electric seems to have created a prototype that firms would be better served to dispense with; misplaced veneration for Jack Welch persuaded far too many companies to run their succession planning like a version of Survivor—with, we might add, the expected results.³

Too much deference accorded the CEO in determining their replacement can be problematic even if the process appears more seemly than a beauty contest. We get it: a great CEO, the Board might reason, can spot another great leader and has good reason to understand the characteristics required in the position. All too often, though, the CEO's hand-picked person—we're looking at you, **Disney**—is selected either in response to high-beam flattery or so as not to eclipse their predecessor. That seems to be precisely how the epically unsuitable Bob Chapek landed the CEO job at Disney. While the Board had a robust stated selection process, it nonetheless appears to have effectively deputized Bob Iger—with an incentive to pick someone good enough but not so good as to overshadow his own legacy—to single-handedly choose his own successor.⁴ This posed a dilemma for us: while we disliked Chapek⁵, we liked the company; reasoning that the Mouse has the stamina to prevail, we were therefore willing to add it to our "shopping list", but not without qualms. As can happen in Disney world, though, our dream came true. Happily for us, reengaged directors installed Iger as interim CEO before the price declined sufficiently for us to mash the "buy" button. The reconstituted Board has now set its sights on

³ In the case of GE, a number of the candidates gradually took themselves out of the competition. Why not use the halo of being semi-anointed to grab a great new berth? None of them seems to have achieved glory post-GE. The residual candidate, Jeff Immelt, stayed around for a while but was too timid to rock the big boat, reflecting his "too little, too late" decision-making style.

⁴ For some context around the choice, see, e.g., "Disney's choice of parks boss as new CEO confuses the company's Wall Street narrative", Alex Sherman, February 25, 2020.

⁵ In particular, we recoiled at Chapek's brusque management style, lack of nuance in addressing PR issues, and failure to appreciate that some of the magic in the company was because there were separate kingdoms that needed to be kept separate, not "rationalized".

locating the next leader.⁶ **One reason for active Board involvement in succession is to make the process less subjective, less likely for individual biases to interfere than if a current CEO oversees it. Board abdication in this responsibility is a bright yellow flag.**

The Mise-en-Scène

When we talk about taking stock of what kind of leader a company needs at a particular moment in time, what we mean is the kind of leadership required given current circumstances that are material to the company and its operations. Whether the firm is confronting a particular business challenge, is at a critical strategic inflection point, or is simply looking to continue on a course of smooth sailing can have an enormous impact on the person handed the royal scepter. Even if the change is long anticipated, context matters. If a CEO resigns in disgrace due to an inappropriate romantic peccadillo, “steady as she goes” tends to be the operative concept and a caretaker candidate rather than, say, the maverick in the queue, might look like just the ticket. If a CEO is dismissed by the Board of Directors for business failures, a strategic pivot may be in the air, ushering in a leader perceived to be either a change agent or a comforting step back in time to earlier, better days. Or if fresh competition enters an industry with newfangled ways, an outsider candidate—especially one poached from said newcomer—can look like the right call. And, of course, these may be precisely the correct moves. But such selections can also represent “solutions” that, in responding to a recent extra vivid or challenging event (cognitive bias!), neglect to prepare the company for longer-term, more nuanced issues with CEOs better attuned to those subtleties. **Excessive focus on a single dimension, as opposed to a thoughtful assessment of what the future of the company requires along several dimensions, can spell trouble and requires extra vigilance on the part of the investor.**

Sometimes the Board gets it right in terms of who they need and when. Say what you will about the reign of Brian Niccol at Chipotle, he was the right person at the right time to clean up in the aftermath of a food safety crisis. He was also an effective transition figure following the departure of the company’s visionary founder, Steve Ells. Ells had run the “food with integrity” chain in an idiosyncratic way that earned it a passionately loyal following but that had made it susceptible to

⁶ Board Chairman James Gorman, the former CEO of Morgan Stanley and a serious guy, is leading the search, and has indicated that they will be reviewing both internal and external candidates. While rumors have swirled, they have not disclosed the names of the contenders. The final announcement is expected to be made in early 2026 and we have reason to believe that the choice, though a complicated one, will at least have appropriate deliberation underpinning it. The rest will be told in real time as we evaluate the person in question over the coming months.



certain kinds of disruptions, including vulnerability to food-borne illness. In the wake of infections by a string of pathogenic outbreaks, Ells instituted a series of measures designed to address the “integrity” part of its mantra. Nonetheless, sales slid. Enter Niccol, who focused on operational efficiency, something he knew a bit about having just orchestrated an effective turnaround at Taco Bell. He standardized the guacamole preparation, which Ells had allowed to be made following employees’ own recipes; he upgraded the ordering app; he eliminated the portion discretion on the part of the service staff; and he instituted a second “make line” so online orders and in-store ones were addressed separately. While in doing so, he diluted some of the bohemian flavor of the chain, causing something of a current backlash, but he succeeded in making the restaurants run more efficiently and safely. Today, a new CEO has succeeded Niccol, who has departed for the next life (okay, he’s gone to Starbucks). We’re watching to see if the new guy has what it takes to address current challenges, the most important of which is how to further scale while maintaining efficiency and safety but without conceding the concept’s core image of humanity.⁷

And then there are the inevitable surprises, both in advance of a changeover and following one. Circumstances can thrust a newly anointed CEO selected as a caretaker into the role of crisis manager, as it did to virtually all leaders during COVID, testing everyone’s capacity to assume a war footing. Happily, sometimes after a company makes an error in judgment as to who’s needed and when, the Board responds with alacrity to the mistake and fixes it, as in the case of **Fastenal**. When the long-time CEO, Will Oberton, retired, the company seemingly saw itself as being on an even keel, navigating smooth waters without any hazards in sight. The choice for a successor seemed obvious: Leland Hein, who had held a series of sales roles, among other more deep-in-the-weeds positions. And yet Hein survived a mere six months in the job, from January 2015 to July 2015, before being (gently) kicked to the curb. As we were told, Hein never really had the ear or the trust of the day-to-day employees, and his efforts at communication had fallen flat; his failure to adjust to what ended up being rougher waters than anticipated as a strengthening U.S. dollar began to hurt customers’ exports further sealed the deal. **Importantly, the Board not only was aware of this, but also took rapid remedial action.**⁸ Hein agreed to step down to return to “the seat on the bus that fit him best”, in the words of his successor, Dan Florness. The status quo choice ended up being a mismatch in the emerging environment. Perhaps Hein would have

⁷ See, e.g., “Chipotle lost its all-star CEO. But he leaves behind a lot to fix”, Fast Company, August 14, 2024.

⁸ As opposed, for example, to GE, whose board tolerated Immelt’s sub-par performance for 16 years.



been a fine caretaker CEO during quieter times, but he was clearly the wrong choice during more challenging ones.

The Characters

The faithful and hard-working understudy replacing the old stalwart. The change-maker called in to wake up a sleepy organization. The virtue-signaler installed to clean up the ethical lapses of a charismatic but wayward rule-breaker. The scion of the founder, bred from the cradle to take over the “family” business. The list of archetypes runs from interlopers to saviors, with many iconic stops in between. **While identifying which category of recurring character a newbie CEO fits is not determinative of their suitability for the post, it does provide a lens through which to view the choice, and, by analogy, can provide some hints as to their likely success.** This can, of course, be tricky, though it does at least provide a useful starting point for analysis. As we noted above, the lack of transparency when it comes to leadership selection is nothing unusual in our world, replete as it is with the reading of signs and symbols and the tracing of shadows. However much the investing world would like to reduce the activity to algorithms and equations (and more recently, AI and LLMs), the most reliable indicators we have are often patterns and analogies, as run through the judgment of human brains.

We’ve already highlighted a few standard tropes: the teacher’s pet (John Stumpf); the lower wattage company man (Bob Chapek); the efficiency expert (Brian Niccol); and the caretaker (Leland Hein). And, of course, some people represent multiple types, as in the case of Brian Niccol. Moreover, similar to the trajectory of Cousin Greg⁹, someone can look like they fit into one of these categories, but once installed in the corner office, they can morph into something entirely different. People themselves change, and their underlying motivations and incentives can morph, sometimes for the better but oftentimes for the worse. Someone who appears mild-mannered and thoughtful, perfectly suited to keeping the company on its current track, can be lured into danger when confronted with the temptation to keep up with the Joneses (or, as in the case of Chuck Prince of Citigroup circa 2007, the Bear Stearnses and the Lehman Brothers). Someone carefully groomed by a former CEO to follow in their footsteps can suddenly develop an ego once they lace up the wingtips of authority. All of which is to say that succession can never be viewed outside the context of the emotional/psychological impact of executive power, the

⁹ The hapless relative of the Roy clan, who sheds his ingenuousness and becomes a bare-fisted infighter in Succession.

intrinsic incentives built into the company's compensation plan, and how the new leader fits within the existing framework of pre-established internal and external relationships.

Here are some broad categories we've seen before and expect to see again:

- **The Outsider**

Outsiders can be just the ticket to resuscitate an ailing brand, as Brian Niccol, at least for a time, demonstrated at Chipotle. But an outsider can also be insensitive to the nuance of a culture and a company's inbred but effective way of doing things, as Niccol may have been in renouncing Ells's approach to enabling managerial agency at the store level. We have some experience with just such a misplaced Board bet in the form of CEO Andrew Witty at **United Healthcare**. On the tail of the flood of bad news that tanked the share price of United came the firing of Witty. He was a former pharmaceutical company executive believed by the Board to have the technical and strategic chops to take over the broad portfolio of businesses under the company's corporate umbrella. After serving for 18 months as head of Optum, Witty was ushered into the overall CEO role. The 2021 Proxy statement noted that the Board believed him to have "the right vision, business and leadership skills, enterprise knowledge and support, broad health care experience and expertise in growth, innovation, technology, operations and global markets to be CEO". Whew. What he apparently did NOT have was sufficient respect for the measured, almost green-eyeshade kind of culture that formed the backbone of the company. Did we understand this from afar? No, but we did understand that the company, as it was being run, had failed to anticipate "heightened care activity" in Medicare Advantage and was being run too hard for the results to be sustainable. Shortly after we were able to buy the stock, we bet—correctly, as it happened—that the company would respond in appropriate ways to the crisis. In bringing back former CEO (notice a pattern here?) Stephen Hemsley, the company has returned to its more disciplined roots.

- **The Consolidator**

We understood for some time that Jennifer Rumsey was being groomed for the top slot as CEO at Cummins. The advance signaling was refreshing, as was former CEO Tom Linebarger's transparency about the challenges the company faced in a world in which diesel engines were scheduled to go the way of the buggy whip. It was clear to us that Rumsey was chosen not just because of her deep engineering background and her long tenure at the company, but because she had been helping Linebarger chart the company's strategy of investing in the development of each of the potential successor technologies to diesel rather than anointing the presumptive

“winner” at the outset. She was unmistakably chosen as the person who could, in concert with 30-year company veteran and CFO Mark Smith, see Cummins through its strategic commitments. This was clearly not a situation of choosing someone out of her depth or unlikely to steal the limelight; it was one of rewarding expertise and ensuring continuity at a critical time.

- **The Dynast**

Part of what we commit to in our own culture is honesty: we hold ourselves accountable when we believe we’ve been wrong about something. We’ve come to see, for example, that our bias against dynastic succession has been misplaced, or at least overbroad. We’d long been deeply skeptical that, to paraphrase Humphrey Bogart in *Casablanca*, of all the gin joints, in all the towns, in all the world, the best possible candidate to replace the current CEO was the CEO’s kid. Accordingly, we either avoided investing in such companies, or, as in the case of insurance broker Brown & Brown, disposed of our position when the nepo baby (as we saw it) was named successor. Through observation over time, however, we’ve seen that such a passing of the torch can work well, especially in cases where it is the organization’s founder who is retiring. Given the importance of culture, the quasi-personal nature of a founder-led company, and the care with which a son or daughter tends to treat the company, we’ve seen numerous cases, including at Brown & Brown, where this kind of succession has proved successful. In our own portfolio, **Expeditors** passed the mantle to founder Peter Rose’s son-in-law Jeff Musser. We were skeptical but gave him a chance. His leadership has been unimpeachable to our eyes, notwithstanding his “soft” entry. To be sure, there are downsides to a related person taking over: they have a potential incentive to approach the job either with too much caution so as not to disturb the legacy or with too much bravado so as to demonstrate independence. But that’s where careful assessment of the human being behind the stereotype comes in.

- **The Infighter and the Conciliator**

In a war of attrition, the best corporate infighter tends to prevail. This can be an ingratiation like Stumpf in a culture that prizes the appearance of getting along. Or, in the kind of warrior culture a company like Goldman Sachs projects, it can be the person with the sharpest elbows. We’ve noticed that in Goldman, the Board often vacillates between the tough guy and the conciliator, with the tough guy flaming out and the conciliator fading out. David Solomon is of the pugnacious variety, and his likely successor, John Waldron, the conciliatory type. Having said that, they were entirely aligned in their plundering of the firm when it came time to update their pay packages. Shortly after we sold Goldman, based on Solomon’s inept foray into consumer banking (among other missteps), the firm changed its compensation plan in order—surprise!—to favor incumbent

management. The firm lavished \$80 million apiece in stock grant bonuses on the two in early 2025. The value of each award was twice either executive's 2024 total annual compensation. No performance criteria whatsoever were incorporated save for the weak tea of the restricted stock grants not vesting for five years. Defending the bonuses as a means of retaining the two apparently irreplaceable masters of the universe, the Board failed utterly in its obligation to align purpose with performance.

The Voice

As you can see, the effective successor almost always reflects the company's culture and is respectful of the firm's core engine of value creation. But while compatibility with and respect for the firm's culture and core value proposition are necessary, they must be leavened by a flexible approach that pays homage to the past but is not hogtied by it. Being able to marry flexibility with attentiveness to what makes the company special allows for the kind of resilience that is essential in any company or leader. Rigidity produces fragility; flexibility within strong cultural guardrails is far more likely to yield sustainability. Accordingly, we look for CEOs who are neither precise replicas of their predecessors nor hellbent on making their own mark. **Instead, we look for people who have ingested and metabolized the fundamental principles of a company and are able to deploy them with nuance and respect for the changes that come with time and altered circumstances.** The nature of the culture matters, as does the business. A candidate who is right at one place can easily be a disaster at another. This is why we find it amusing that there often seem to be about ten CEOs in the world who make their way around the Fortune 500, swapping out their logoed paraphernalia with each new gig.

Fastenal provides a great case in point about the overriding importance of a cultural fit. If you know us, then you know that we tend not to like it when the finance guys rule the roost, in part because, in most businesses, folks focused primarily on numbers are better suited to supporting actor roles than to the lead ones.¹⁰ So, while we knew Dan Florness at Fastenal and respected him as someone with deep knowledge of the business, we were ambivalent when he took the top spot. Fastenal is an industrial supply company whose success story begins and ends with serving the customer flawlessly. Could a sharp-pencil guy do that without overly focusing on the costs of attending to the idiosyncratic needs of an individual customer? Yes, as it happens,

¹⁰ That's particularly true for companies whose genetics and competitive advantages run towards innovation and creativity. This is less a commentary on the accounting profession and its membership (many of whom can be deeply creative! and fun guys!) but on the company itself and its chosen leadership emphasis.

because Dan was steeped in the culture of the company and a great communicator to boot (if perhaps a bit random in his chattiness), who had also served as head of investor relations. Dan understood that the next chapter in the company's story was less about deft financial management and more about staying attuned to the customer.

Contrast this story with that of Yum! Brands, a business that's all about brand management but that nonetheless transitioned from a CEO with marketing chops to someone with a finance background but no real marketing experience and you can understand why we took the money from that investment and ran.¹¹ Similarly, the choice of a numbers-oriented guy at Boeing, an engineering firm where innovation is necessary and safety paramount, is a neon sign flashing "evacuate now". Boeing may look, superficially, like Cummins in terms of the primacy of engineering, but while Cummins takes that legacy seriously, the former threw that overboard in favor of "managing by the numbers" and overly emphasizing short-term results.

The Resolution

As we hope to have conveyed, the investor is not without tools to assess the quality of a CEO successor, though the process is far from foolproof. **Once a person has been anointed, barring certain glaring red flags, an investor needs to have the patience and confidence in the company itself to defer final judgment until the outcome declares itself more definitively.** In the process, one must make peace with the fact that the new leader will be different from the old one, that they might be a good fit for a particular moment in time but not another, and that there will inevitably be some period of adjustment to the new position, if not a trial by fire in the form of an internal or external conflagration that tests their mettle.

There are, however, some breadcrumbs we can offer. **The careful reader will have picked up on the fact that one hallmark of companies we like is that they tend not to suffer a mis-appointed fool for long.** Fastenal, United Healthcare, and Disney each jettisoned an unsatisfactory choice before too long. This suggests that we can insulate ourselves a bit better if we're careful in the first instance about the quality of the company whose shares we buy. **In addition, red flags in**

¹¹ So persuasive a salesman was David Novak when he headed up Yum! that he managed on numerous occasions to induce us to join in a round of the Yum! Cheer on Investor Day. Alas, after the company sold off its China business and refranchised its restaurants, its marketing, brand management, and operating roots became less visible—or at least less vocal.

the form of beauty contests, mealy-mouthed sycophants unlikely to test the legacy of the dear leader, and cultural misfits do, from time to time, present themselves and are a true gift.

The Epilogue

In parting, we feel obliged to mention Marshfield's own plans for succession. Indeed, this time it IS personal. It's a topic about which we regularly receive questions from our clients, and on which we strive to be completely transparent. At present, we are planning for a transition that is both several years away (the current thinking is four years) and ever-present on our minds as serious custodians of this business.

While the CEO of our firm, currently Chris and after him our designee, Chad, is important in terms of the day-to-day running of the firm's operations, that role has little if any direct impact on our clients apart from, say, when you might receive your holiday card. This is not to belittle the role—Marshfield is, in fact, a complex machine, but we have tried very hard to insulate our investment process from our operational needs. The creation of what we sell is a collective process, with the nominal head of the company no more empowered than any other principal. It is not, in other words, the CEO who produces our “product” or even who guides our discipline; it is, rather, the research collective, in a process carefully designed to distribute judgment, that generates our buy and sell decisions.¹² To the extent that the head of the firm is most visible, we get it that people infer that decisions are attributable to that person alone. In fact, while that person (in the form of Chris and then, once Chris and Elise retire, Chad) may have the longest tenure and the greatest breadth of experience, we believe that we have assembled a team with complementary and reinforcing skills and judgment, with a process specifically designed to call on each member's talents without undue influence from the person or persons with longest tenure.

Among the most salient of our checks and balances is that any changes to our research and implementation processes must have unanimous buy-in from the voting members of the research team. This will not change. Also, and most critically, our philosophy is sacrosanct; to the extent we tweak our discipline from time to time to improve it (e.g., through the introduction of

¹² By design, we have a well-established group research process that incorporates the views of four principals (and weighs those views equally), with critical additional input from a research analyst, a research assistant, and an economist. Note that no research team member is made principal (thereby acquiring a vote on research matters) unless they have been with Marshfield for a meaningful period of time and have experienced a variety of different market environments.

checklists), we ensure that such changes are fully aligned with and supportive of our underlying investment philosophy. The more experienced among us have also been assiduous (if not repetitive) in telling stories such as the ones you've read here, so that we pass along our worldview and the body of knowledge that has helped form it. You may believe that these newsletters are aimed at an outside audience of existing and prospective clients; in truth, they are largely aimed at providing a compilation of foundational thought for our successors to assimilate and metabolize.

Yes, we will lose something with the retirements on the horizon, because however we might try to inculcate a common philosophy and investment "aesthetic", we are, in the end, individuals, each with their own unique perspective and personality. As with all changes in leadership, however, the proof will be in the pudding, which you, together with Elise and Chris, who plan to keep a sizable portion of their own assets with Marshfield upon their retirement, will hopefully have the patience to assess. The good news is (and if you know Chad, he will chuckle at this) that there has been no beauty contest, no tests of strength or will, and there will be no lack of familiarity with our strong and deep corporate culture. He's numerate but not a bean-counter, he arrived at Marshfield just in time to experience the financial crisis and its impact on financial markets, and he (along with Judy and Amie) is stalwart in the face of ugly headlines. Although there will inevitably be differences in tone, temperament, and emphasis in terms of communication and affect, we do not believe that there will be much daylight between the before and after in terms of the product we provide.

Marshfield Associates

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