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***The Little Book That Builds Wealth* by Pat Dorsey**

I believe in the power of continuous learning to slowly, consistently compound knowledge and over time. I plan to use this space to discuss some of my favorite books in hopes that we all continue to learn and grow together. To that end, Pat Dorsey's *The Little Book That Builds Wealth* is one of my favorite investing books, and interestingly, it's one that I rarely hear discussed in investing circles. Published in 2008, it focuses on economic moats, those competitive advantages that separate a business from its peers. I also give the author high marks for his ability to share significant insights in a concise format.

I'll focus on 4 key insights while also sharing some nuance to how I approach these:

1. Companies with moats have the dual advantage of being able to grow their intrinsic values over time while also providing downside protection due to this value creation.
2. Businesses with monopolistic characteristics that are not regulated as such can indicate a wide economic moat. Dorsey uses one example of the bond rating industry which has competed as an oligopoly and can often raise prices a few percentage points a year. The nuance I'd add here is that while a lack of regulation of an apparent monopoly can be a great thing for the business and shareholders, it also introduces the risk of further regulation that one must always be mindful of when studying the long-term economics of the business. Sometimes companies that have recently gotten through a regulatory challenge relatively unscathed can lead to a more durable economic moat since the company has just passed a regulatory examination and may not see another for a while. Mr. Dorsey adds further insight by saying, "The best kind of regulatory moat is one created by a number of small-scale rules, rather than one big rule that could be changed." I completely agree.
3. The book is also prescient in that spends considerable time discussing intangible assets and network effects, characteristics which have become increasingly important and more popular discussion points as more capital light businesses have created significant value.
4. The book discusses the importance of executing on lots of little things. Mr. Dorsey focuses on consumer service companies for this example, but I would broaden to touch on many excellent companies. We tend to oversimplify and create narratives in our heads when the reality is not always as simple or easy to recreate as it might appear. For example, homebuilder NVR is often discussed as having a simple advantage of not owning land which leads to higher returns on capital and less downside during housing market downturns. That said, NVR also does many little things right which turn into competitive advantages that are much more difficult to replicate. For example, NVR has spent years developing its trustworthy reputation and has long term relationships with land developers who appreciate NVR's consistency and efficiency throughout the process. The company even pays rent on their model homes in a community to not have additional capital on their balance sheet. It's not just one thing, but many little things that often make great companies special.