Fire-and-Forget Gone Wrong: The Rise of GoodHaven Fund

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In the military realm, "fire and forget" designates a weapon that you don't need to think about once it's been launched. In investing, "fire and forget" could be used to describe several sorts of mistakes centering on our impulse to look away once we've made a decision. One of those mistakes is to buy a fund (presumably for good reason) then sell it (presumably for good reason) and then never re-examine your decision.

Managers—both corporate and fund—make mistakes. You can't avoid it. They can't. The best of them realize it, learn from it, correct it and return to doing fine work. It might be that the folks at GoodHaven warrant the "the best of them" tag. And, I suspect, they warrant resumed attention.

GoodHaven Fund (GOODX) was launched in April 2011 by Larry Pitkowsky and Keith Trauner, two former associates of the iconoclastic Bruce Berkowitz who manages **Fairholme Fund**. During their time at Fairholme the guys rose from research analysts to portfolio managers, CIOs and vice presidents. In 2010 they left Fairholme and about 12 months later launched their own fund. The fund had two good years, then a long stretch of lean ones. The managers lamented "frustratingly modest gains" in their 2017 Annual Report. In each of 2013, 2014, 2015 and 2017, they trailed more than 97% of their peers.

In the year that followed, they took a long hard look in the mirror and concluded that it wasn't working. They concluded that they had been undercutting their own success, and their investors, with a series of misjudgments.

They resolved to change and do better. Those changes rolled out in late 2020 and resulted in what manager Pitkowsky calls GoodHaven 2.0. The central differences come down to five changes.

GOODHAVEN FUND

GoodHaven 1.0	GoodHaven 2.0	The difference
Two guys	One guy	Keith left all operating roles at GoodHaven but retains a minority ownership interest. They concluded that their styles were not meshing so that the whole looked distressingly less than the sum of its parts.
Macro calls about the states of markets and the direction of rates and such informed the portfolio construction	Fundamental analysis drives the portfolio	Taken together, cash & cash equivalents average 21% of the GoodHaven 1.0 portfolio; today they sit at 11.3%, mostly in T-Bills. The range of cash equivalents for GoodHaven 2.0 has been 7–12%.
Emphasis on special situations that weren't that terribly "special."	Emphasis on quality names in the portfolio with only the "occasional really special situation."	Mr. Pitkowsky believes that the 1.0 portfolio wasted too many resources on stocks "in the messy middle." That is, stocks that were neither high quality names nor "real" distressed securities. Visually, the portfolio has sort of moved from being tube-shaped (1.0) to barbell-shaped (2.0).
Emphasis on statistical measures of value	Emphasis on cheap for what you're getting	By centering on a desire for high quality rather than a desire for cheap, the portfolio names became better and the manager worked to make rational assessments of future prospects. He was willing to be growth-y names when the price was right.
Cut your losses	"Don't sell the flowers and water the weeds," buy if the only change has been the stock's price	The fund has a low turnover ratio, about 17%, which reflects a commitment to hold through price corrections if the firm's underlying prospects are unchanged. Mr. Pitkowsky allows, "Doing nothing is much, much harder than doing something."

By Morningstar's assessment, GoodHaven's portfolio is characterized by dramatically higher quality names with higher growth prospects than its peers. That has corresponded with a period of dramatic outperformance in terms of total returns, downside management and risk-adjusted returns.

Comparison of 3-Year Performance (for the period ending May 31, 2023)

	APR	Max drawdown	Downside deviation	Ulcer Index	Sharpe ratio	Sortino ratio	Martin ratio
GoodHaven	20.03%	- 17.8	9.8	6.5	1.07	1.90	2.85
Multi-Cap Value peer group	12.90	- 17.9	10.3	5.9	0.65	1.13	2.16
S&P 500	12.92	- 23.9	11.4	9.8	0.65	1.01	1.18

Its recent strength—including a return in the first half of 2023—has driven it to top 10% returns in its Morningstar peer group over the past three years.

Bottom line: GoodHaven is living up to its early promise. Funds are beginning to trickle back in, though it's down dramatically from its peak. It would be wise for investors interested in quality-at-a-good-price to add GoodHaven to their due diligence list.

The GoodHaven Fund (GOODX)

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The GoodHaven Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other information about the investment company, and may be obtained by calling 1-855-OK-GOODX (1-855-654-6639) or by visiting www.goodhavenfunds.com. Read carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. The Fund invests in midcap and smaller capitalization companies, which involve additional risks such as limited liquidity and greater volatility. The Fund may invest in foreign and emerging market securities which involve political, economic and currency risks, greater volatility and differences in accounting methods. The Fund may invest in REIT's, which are subject to additional risks associated with direct ownership of real property including decline in value, economic conditions, operating expenses, and property taxes. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment in lower-rated, non-rated and distressed securities presents a greater risk of loss to principal and interest than higher-rated securities.

Holdings are subject to change at any time, and are not a recommendation to buy or sell any security.

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Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-855-OK-GOODX (1-855-654-6639). Click here for current standardized performance.

Total Annual Fund Operating Expenses 1.10%

Per Morningstar (as of 3/31/2026 in the Large Value category), the GoodHaven Fund was ranked in the 100th percentile for 1YR (vs 1,090 funds), 49th percentile for 3YR (vs 1,048 funds), 12th percentile for 5YR (vs. 983 funds), and 74th percentile for 10YR (vs. 823 funds). Morningstar Rankings represent a fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest percentile rank is 1 and the lowest is 100. It is based on Morningstar total return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption fees. **Past performance does not guarantee future results.**

S&P 500 Index is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. Indexes are unmanaged and it is not possible to invest directly in an Index.

The turnover ratio or turnover rate in investing is the percentage of a mutual fund or other portfolio holdings that have been replaced in the course of one year.

An annual percentage rate (APR) is the yearly rate earned by an investment.

Max drawdown is a fund's largest peak-to-trough decline during the period of analysis.

Downside deviation is a measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR). It is used in the calculation of the Sortino ratio, a measure of risk-adjusted return.

The Sharpe ratio is a measure of risk-adjusted return. It describes how much excess return you receive for the volatility of holding a riskier asset.

A variation of the Sharpe ratio, the Sortino ratio is a return-versus-risk trade-off metric that uses downside deviation as its measure of risk.

The Martin Ratio or Ulcer Performance Index was authored by Peter G. Martin. The higher the Martin Ratio the better the instrument's performance. The main ingredients are current price and a prior price which are adjusted with the user defined safe return. An average and the Ulcer Index are taken; and the Martin Ratio is their quotient.