Sanford DeLand
ASSET MANAGEMENT
Business Perspective Investors

TM SDL UK Buffettology Fund

Monthly Insights – March 2026

Why founder-led businesses make good investments

Warren Buffett describes it as 'skin in the game'. We refer to it as alignment. However you phrase it, businesses where founders remain significant shareholders generally make for good investments. One of the key tenets of Buffettology is that company management should act with the owner's eye – that is to say they behave more as if it is their business than simply a job of work. In our experience this can lead to better outcomes than businesses run by serial professional managers.

Why is this so?

Firstly, founders have generally spent many years putting in the hard yards to make businesses the success they are today. Thus, it becomes far more than a job; it is something they are passionate about and especially keen not to devalue. They continue to embrace the entrepreneurial spirit that brought them success in the first place.

Secondly it is usual for founders to have most of their personal net worth tied up in the shares of their business; providing an extra incentive to create value. As investors, this is something we want to be aligned with.

It goes without saying that founder-led businesses are generally found among the market's small and mid-sized businesses and it is rare to find one in the FTSE-100. There are several examples of owner managers at businesses within the Buffettology Fund including Quartix Technologies, Craneware and Cerillion to name a few.

The case of Quartix, a vehicle telematics business, illustrates the point well. Andy Walters, who holds a 22% stake worth around £30m, was one of the founders of the business in 2001 and had been CEO until stepping back to a non-executive role in 2021. A new CEO was appointed with an impressive CV and considerable telematics experience. The following two years were beset by a challenging market, slowing profit growth and an ill-fated acquisition of a loss-making electric vehicle fleet software business. Tellingly, this was the only acquisition in the company's long history.

Within months, Walters returned in an executive capacity and previous management were gone. The business slowly started to recover its mojo – in part by self-help measures such as putting a line through the loss-making acquisition – and the company has met or even slightly exceeded market expectations ever since. As a result, the share price has responded positively and now trades at roughly double the level of a year ago.

Whilst founder-led businesses are not terribly common in the UK market, we place a great deal of value on them. They usually signal a safe and experienced pair of hands at the helm and strong alignment with other shareholders.

Eric Burns
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