ALPHYN CAPITAL
MANAGEMENT

Letter to investors, Q1 2019

Introduction

In 2019, I established Alphyn Capital Management, LLC as a registered investment advisor with the goal of compounding family wealth over the long term, responsibly, by investing in a) great public companies that have the power to endure, with long runways to grow through reinvesting cash flows at high rates of return, run by talented and aligned operators and b) the occasional special situation. The majority of my liquid net worth is invested in the same strategy, using lessons learned from operating family businesses that compounded at high rates for almost 2 decades, and from investing proceeds from the sale of those companies in the public markets for the last 5 years, Accredited investors will have the opportunity to invest alongside me through separately managed accounts, for a founder class fee of 1% of assets under management.

On a quarterly basis, I will write letters to:

1. Provide investors with updates on holdings
2. Give readers a look at my thought process, providing transparency and accountability for decisions taken
3. Crystallize my thoughts and provide a written record which I can refer to over time, to help continually improve process and eventually outcome

Background

I started my career at Deutsche Bank in London, where I worked on $11bn of Mergers & Acquisitions, IPOs and secondary offerings. After completing my MBA at Wharton, I joined the family investment business. There I was privileged to contribute to, and learn from, several exciting investments.

One of our investments was a formerly bankrupt supermarket business in the Turks & Caicos Islands that grew to become the largest food services business in the country. There I learned the importance of operational excellence (e.g. improving supply logistics), which enhanced service (e.g. fresher produce on shelves), attracted more customers, and increased profitability. We expanded by reinvesting into the business to improve systems and facilities, and hired the right managers through different stages of growth (it took many years and several attempts). Most importantly, we focused on creating value by reinvesting cash flows at high rates of return to develop a commercial and residential real estate hub, and enjoyed competitive advantages (a strong moat[1]) from local economies of scale.[2]

For the current stock portfolio, I focus the majority of my efforts on finding "wide moat compounders", but will make the occasional "special situation" investment. The following experience with two different family real estate holdings explains why. From the compounder camp, we acquired a mixed-use retail and office building in a prime location in London's Bond Street, with Ralph Lauren as anchor tenant. We benefited from a triple net lease[3] with landlord-friendly upwards only rent reviews every 5 years.

From the one-off camp, we were fortunate to acquire a property that had served as the executive dining and entertaining rooms for a WPP subsidiary in London's exclusive Mayfair area, and convert it into two luxury homes, realizing a significant valuation uplift. This is an area that, for 300 years, has provided grand homes to the aristocracy, but had seen a large number of them converted into offices as businesses relocated following heaving bombing during the Second World War. From the 1990's onwards the local council encouraged the conversion of properties back into their original uses. At the conclusion of the project, we faced a hefty tax bill and a lack of opportunities anywhere remotely as attractive into which to reinvest the proceeds.

The takeaways for me are that one should certainly be opportunistic investing in one-off special situations, but that finding wonderful, and tax efficient, compounding opportunities produces better results over time.

Stocks for the long haul

Many people advocate "long term" investing without going into the basis for the long-term performance of stocks. I wanted to give some brief thoughts as to why I try to follow the advice of Warren Buffett, Charlie Munger, Phil Fisher, and Li Lu[4] who advise buying fractional ownership in high quality companies and holding for the long haul. The basic premise is:

- For over 200 years stocks have enjoyed a 6-8% tailwind, based on business productivity and free market economies[5] [6]
- Investors can enjoy this free compounding through, for example, a passive ETF
- But investors can do much better by limiting themselves to quality companies that can consistently generate high Returns on Invested Capital

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1 Moats were built around castles to protect the castles from enemies, value investors use the term "economic moat" to describe competitive barriers built around a business to protect its profitability

2 My favorites sources of wisdom on moats are Porter's seminal paper "The Five Competitive Forces That Shape Strategy", "Competition Demystified" by Bruce Greenwald (https://amzn.to/2UWgY7Q), and "The Little Book that Builds Wealth" by Pat Dorsey (https://amzn.to/2IKQHmx).

3 Tenant pays real estate taxes, building insurance and common area maintenance

4 In the 2017 Daily Journal meeting, Munger said "I've read Barron's for 50 years. In 50 years I found one investment opportunity in Barron's, out of which I made about $80 million. For almost no risk. I took the $80 million and gave it to Li Lu, who turned it into $400 million or $500 million."

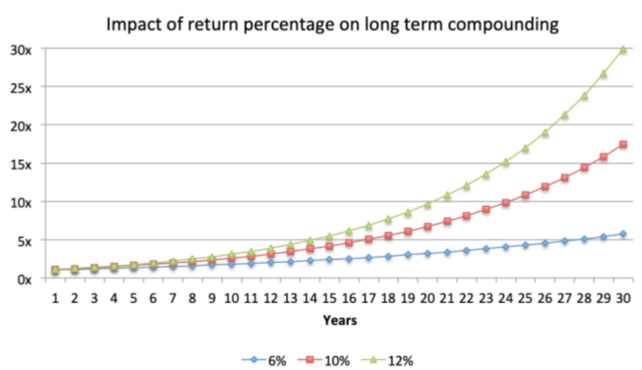
5 A Discussion on Modernization, 2014 https://bit.ly/2VJvEXG

6 The Prospects for Investing in China, 2015 https://bit.ly/2vyhg5A

- Unfortunately, in the absence of competitive barriers (moats), Returns On Invested Capital are well documented to be strongly mean reverting[7] as high returns attract competition, which leads to price competition and erodes returns
- The goal, therefore, is to find those few companies with wide moats and hold for extended periods of time to enjoy the benefits of compounding

A simple computer back test of investing in the top 100 companies within the S&P 500 ranked on highest ROIC materially outperformed the index, returning an average 10.6% per year from January 1st, 1999 to March 31st, 2019 versus 6.3% for the S&P500.[8] Furthermore, investing in these companies only when their valuations were attractive and holding for the long term, further improved performance to 11.9% in the back test.[9] There is a large body of more robust evidence showing that value investing works.[10]

Given the power of compounding, a small increase in return percentage makes a big difference over time. For example, compounding for 30 years at 6% (passive S&P) grows capital by almost 6x, at 10% gives a little over 17x, and by 12% gives almost 30x.



Closing thoughts

In 2017, McKinsey published a report[11] demonstrating that while short-term thinking amongst companies is on the rise, long-term companies deliver superior financial performance and shareholder returns. As I look to invest my family money in an effective and disciplined manner, to a large extent my job is to find and hold onto such firms. I look forward to welcoming investors who share a similar outlook.

Samer Hakoura
May 2019

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[7] Michael Mauboussin has done a lot of quality work on this, see https://bit.ly/2URXEUj
[8] Back test performed using portfolio123.com which uses point-in-time data (i.e. without look-ahead or survivorship bias)
[9] For example when their EV/EBIT multiples were below 10x. This is my version of Joel Greenblatt's "Magic Formula", an investor who's books I read early in my investing journey
[10] E.g. see https://www.aqr.com/Insights and https://alphaarchitect.com/blog
[11] Measuring the economic impact of short-termism https://mck.co/2TsNQ3m

Performance

The model portfolio, which was set up at the start of the year, gained approximately 15.6% net for the first quarter of 2019. While it is pleasing to be able to report such numbers, I would caution against reading too much into short-term fluctuations, which typically have a low signal-to-noise value. This is especially true against the backdrop of the rapid decline at the end of 2018, followed by one of the fastest equity market recoveries on record in the first quarter of 2019. As of March 29th, 2019, the top ten positions comprised 75% of the portfolio.

Positions with an average weight over 1% of the portfolio in the quarter were: Alliance Data Systems Corp., Avaya Holdings Corp., Burford Capital Ltd., Calloway's Nursery inc., Carmax Inc., Carvana Co.[12], CRH Medical Corp., Exor NV, Fairfax Financial Holdings Ltd., GCI Liberty Inc., Naspers Ltd., Oaktree Specialty Lending Co., Sea Ltd., Tencent Holding Ltd., Unity Group Inc., Viemed Healthcare Inc., and Wandisco Plc.[13]

Discussion on a selection of portfolio positions with an average weight over 1%

Public holding companies

Three public holding companies comprise nearly 40% of the portfolio. They are EXOR N.V., Fairfax Financial Holdings Ltd. and Naspers N.V. For those interested, this section gives an overview on how I think about them and why I own them.

I am attracted to these businesses because they are:

1. Diversified with several portfolio companies and sources of value
2. Run by owner-operators who have skin in the game and histories of compounding value at impressive rates of return over long periods of time
3. Positioned to take advantage of potential market dislocations
4. Benefit from some form of float[14]
5. Trade at large discounts to intrinsic value, with paths to narrow the discount and, I believe, can compound value for the foreseeable future

EXOR

EXOR is the holding company of the Agnelli family, founded in 1899[15]. Its major components are 100% ownership of PartnerRe, 29% stake in Fiat Chrysler, 23% stake in Ferrari, 27% ownership in CNH Industrial, and some smaller but well-known investments such as Juventus Football Club (12 million fans) and The Economist magazine (founded in 1843 and with a circulation of over 1 million).

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[12] Via short put options – economic equivalent of funds at risk greater than 1% of portfolio

[13] There is no assurance that any of the securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable. See "Disclaimers" at the end for more details.

[14] Warren Buffet explains: "Insurers receive premiums upfront and pay claims later. … This collect-now, pay-later model leaves us holding large sums - money we call "float" - that will eventually go to others. Meanwhile, we get to invest this float for Berkshire's benefit."

[15] FT.com article "John Elkann, Fiat's dynastic survivalist" https://on.ft.com/2V5Rp4o

EXOR is run by John Elkann, the grandson of Gianni Agnelli, who was appointed to the board as a 21-year-old in 1997. He has a deep understanding of the business, having completed internships in various operating subsidiaries, and is battle tested. In 1984, he inherited a debt laden, sprawling conglomerate on the brink of bankruptcy. He fended off creditors by convincing family members to reinvest in the business from their personal savings, then aggressively rationalized the company structure into a single entity in 2003 and hired Sergio Marchionne to complete one of the most impressive turnarounds in automotive history, merging Fiat with Chrysler in 2009 and spinning out Ferrari and CNHI into publicly quoted companies.

It is clear from his annual letters to shareholders and thoughtful interviews, that Mr. Elkann takes the responsibility of stewarding his €14bn family business very seriously. He has a long-term view and speaks in terms of keeping the business alive for another hundred years. EXOR has compounded NAV at 17.6% per annum from when it went public in 2009 until December 2018[16].

I like to find businesses that can take advantage of market turbulence to grow intrinsic value buy investing when prices are cheap. To this end, EXOR has assembled a high caliber Advisory Council, chaired by George Osborne (former UK Chancellor of the Exchequer), and including Jorge Paulo Lemann (3G Capital), Rob Speyer (Tishman Speyer), and Joseph C. Tsai (vice chair Alibaba), amongst other equally impressive individuals. From the company press release "This group will bring additional external experience and counsel into EXOR, which will be particularly valuable, for example, when exploring new business opportunities."[17]

A study in 2013 analyzing Berkshire Hathaway's performance[18] concluded that "Buffett's returns appear to be neither luck nor magic, but, rather, reward for the use of leverage [a ratio of 1.6-to-1] combined with a focus on cheap, safe, quality stocks." And of course, Buffett's source of leverage was insurance float.

In 2016 EXOR completed a transformational deal, acquiring PartnerRe for $6.9bn. It has only recently begun to deploy ParterRe's float. $306 million has been invested to date through concentrated investments in Ocado, a UK based food e-commerce where Mr. Elkann envisions a long-term compounder with strong industry tailwinds, and South African Platinum Mines, a commodities business trading at historic lows following a period of oversupply.

As for valuation, EXOR's shares trade at a double discount, ~30% below its NAV of €82.33, which is at a further discount to the intrinsic value of its components, especially Fiat. Fiat trades on a forward P/E of under 3x, and a forward FCF yield approaching 30%, based on its 2022 5-year business plan. The company has a history of meeting its plans, for example it met its previous 5-year goal of eliminating €10bn of net debt, mostly through Free Cash Flow generation, based on the strength of its Jeep, Maserati and RAM brands.

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16 Exor shareholder letter 2018

17 EXOR's Board of Directors approves H1 2018 consolidated results https://bit.ly/2MRXMnI

18"Buffet's Alpha" by Andrea Frazzini, David Kabiller, Lasse H. Pedersen, https://www.nber.org/papers/w19681

While the usual rebuttal is the fear we may be at "peak car" and SAAR[19], the company is debt free and can remain breakeven with US SAAR of only 10m units (vs. approximately 17m today and a February 2009 crisis-level low of 9.2m units[20]), and therefore may deserve a higher valuation than one typically reserved for companies on the verge of bankruptcy. In the interim, Mr. Elkann seems to be doing the right things: Fiat has distributed a $2bn special dividend from the sale of its parts business, and EXOR is taking advantage of the valuation by buying back shares in the open market.

Fairfax

Fairfax Financial is a holding company established in 1985 in Toronto. Founder Prem Watsa has accumulated a string of property and casualty insurance and reinsurance businesses, which are operated on a decentralized basis with autonomous management teams. He has used the insurance "float" to build a diversified investment portfolio of public and private companies.

Fairfax has suffered over the last couple of years for two main reasons. First, the industry suffered record catastrophe losses of $130bn in 2017 and $90bn in 2018. In 2018 alone, Fairfax's combined ratio[21] went from what would have been 90.8% to 97.3%, a 6.5% difference that cost the company approximately $765m in net income. Second, Prem Watsa initiated equity hedges that cost the company $2bn in the midst of a raging bull market, and $115bn worth of notional deflation hedges that cost the company $600m. Both of these have shaken investors' faith in the company.

To cut to the chase, the key question is whether one should avoid entrusting one's capital to a self-professed "value investor" who blew a ton of money on large macro bets (despite a public mea culpa and promise of "never again"), or whether the missteps present a rare opportunity to buy an otherwise great business at an attractive price? On balance I believe this is an attractive opportunity for several reasons.

First, Mr. Watsa has as a compelling history of value creation. Fairfax has compounded book value per share at 18.7% for 33 years[22], and has built, amongst other things, an impressive insurance operation that writes $15bn of gross premiums a year, a travel business, Thomas Cook India, that has compounded at 23% per year, and a restaurant business, Recipe, that has compounded value at 29% per year. Mr. Watsa has significant skin in the game with 8% ownership.

Second, Fairfax enjoys the structural advantage of float. Fairfax's float stands at $22.5bn ($826 per share), almost twice the book value of $11.8bn ($432 per share). As a result, the company only needs to generate 7% returns from its investments to compound book value at 15% (assuming a 95% combined ratio in insurance operations). This is an undemanding hurdle in my view.

[19] Seasonally Adjusted Annual Rate – the number of automobiles sold, adjusted to account for seasonality throughout the year.
[20] https://fred.stlouisfed.org/series/TOTALSA
[21] The combined ratio is a measure of insurer profitability, calculated simply by taking the sum of claim-related losses and general business costs and then dividing that sum by the earned premiums over the period.
[22] Fairfax Financial presentation April 11th, 2019

Third, Mr. Watsa continues to demonstrate that he has the skill and resources to pull off opportunistic investments on attractive terms. For example, in June 2018, Fairfax bought 82 Toys "R" Us stores in Canada for approximately $280 million, following the parent company's bankruptcy in the US. This appears to be a great deal as, unlike the parent company, the Canadian company had no debt, $1bn in revenue, $100m of EBITDA and the value of the real-estate alone equaled the purchase price[23]. In another example, Mr. Watsa built a $1bn stock and warrant position in Seaspan on attractive terms following an extended bear market in container shipping. He established an exercise price of $6.50 per warrant[24] on a company that used to trade in the high $20's. Seaspan is run by David Sokol who "has one of the most outstanding records I have come across, as he built Mid American Energy from revenue of $116 million in 1991 to revenue of $11bn in 2010, while net income increased from $27 million to $1.2bn over the same period, representing a compound growth rate of 22.4% per year."[25] Lastly, through stakes in Fairfax India and Fairfax Africa, the company is positioned to deploy capital into two of the fastest growing markets[26] in the world. Instead of paying for skilled investment managers with local geographic knowledge, Fairfax *extracts* management fees from these two subsidiaries.

Finally, the valuation is attractive. With a quarter-end share price of US$465[27], Fairfax is trading at a price-to-book of 1.1x. Should the company achieve its target 15% growth in book value per year, the valuation would likely also re-rate to a more normalized 1.25x book, implying a $600+ share price in a couple of years (current NAV of $432 per share grown at 15% for 3 years, multiplied by P/Book of 1.25x, discounted back at 10% per year to today's value).

I find it helpful also to triangulate valuation through earnings power. The 2018 results in the table below are taken from Fairfax's Annual Meeting presentation on April 11th, 2019. I believe Fairfax can achieve Earnings Per Share of $52, which implies the company trades at an undemanding pro-forma P/E multiple of 9x. The company has also clearly communicated its intent to buy back shares over the next 10 years, when it has the opportunity to do so at attractive prices.

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[23] Price-to-Value Podcast with Southeastern Asset Management https://bit.ly/2YwXLXG
[24] Seaspan Announces Closing of Second $500 Million Investment by Fairfax Financial Holdings Limited https://bit.ly/2vt68Hh
[25] Fairfax Financial 2018 Shareholder letter https://bit.ly/2GAIZYw
[26] Joe Zidle, Chief Investment Strategist, Blackstone: "it is important that investors get up to speed on India as factors align for it to become one of the great secular growth stories" https://bit.ly/2Uh5nLe
[27] US American Depository Receipts, symbol FRFHF[28] CNBC Africa interview https://www.youtube.com/watch?v=l_0XtmLBtLk

US$ millions	2018 Actual Results*	Pro-forma estimates	
Underwriting Profit (97.3% combined ratio)	$ 318	$ 600	Assume Watsa achieves 95% goal on ~$12bn in net premiums
Investment income - insurance and reinsurance	$ 638	$ 1,658	$39bn investment portfolio. 75% in fixed income @3%, 25% in equities @ 8%
Operating Income	$ 956	$ 2,258	
Other	$ (347)	$ (500)	Operating costs, interest expense
Realized investment gains	$ 1,175	$ -	
Pre-tax income including realized gains	$ 1,784	$ 1,758	
Unrealized investment losses	(922)	$ -	
Pre-tax income	862	1,758	
Net earnings	$ 376	$ 1,388	Assume 21% tax rate
Diluted shares outstanding		26.9	
Earnings per share		$ 51.61	
Current share price		$ 465	
Implied P/E ratio		9.0x	

Source*: Fairfax Annual Meeting Presentation April 11, 2019

Naspers

Naspers was founded in 1915 as a South African newspaper business and has become a global internet investment firm with operations in over 130 countries spanning the online classifieds, food delivery, payments, etail, travel, education, and social platforms. Its most famous investment is in Tencent, but it also owns stakes in mail.ru, OLX, Avito, letgo, PayU, iFood, Swiggy, DeliveryHero, Udemy, eMAG and MakeMyTrip.

Koos Bekker became CEO of Naspers in 1977. For 15 years he earned no salary, bonus or perks, and was compensated solely through stock option grants that vested over time. He lead the company's transformation into an internet holding company and was behind the $32m investment for 34% of Tencent in 2001, arguably one of the best investments of all time. His 2014 interview with CNBC is worth watching[28]. He discusses his reasons for stepping down as CEO after 17 years and traveling the world for a year before returning as Chairman, both to freshen his perspective and to give his hand-picked successor, Bob van Dijk, space to establish his own independence as CEO. One also gets a glimpse of his well-developed view of the internet and its impact on traditional media.

By my estimates, Naspers trades at a 39% discount to the Sum-of-Parts: Naspers' stake in listed subsidiaries[29] is approximately $140bn, plus unlisted subsidiaries of approximately $18bn[30], plus pro forma net cash of approximately $6bn, results in a total asset value of $164bn vs. Naspers' market capitalization of $100bn. Naspers trades at a 26% discount to its stake in Tencent alone.

Management contends that Naspers' discount is a direct result of its outsized weighting in the JSE SWIX, which grew from 5% to 23% between 2013 and 2018, (largely fueled by Tencent's meteoric rise). This has forced South African institutions to sell shares due to single stock holding limits. The company has backed this up with charts showing how the weighting has grown in parallel with both the size of the discount and capital outflows.[31]

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[28] CNBC Africa interview https://www.youtube.com/watch?v=l_0XtmLBtLk

[29] 31% of Tencent, 28% of Mail.ru, 43% of Makemytrip and 23% of Delivery Hero as of March 29th, 2019

[30] As valued in a January 29, 2019 equity research report from Bank of America Merrill Lynch, using comparable companies or implied values at last funding rounds or transaction values. $15bn for classifieds businesses, $1.75bn each for e-commerce and payments businesses

[31] March 25th, 2019 company presentation

I am encouraged by management's very deliberate efforts to try and close the gap. In March 2018 they highlighted the value of Naspers' holding in Tencent by selling 2% for $9.8bn; in February 2019 they spun out their South African pay TV business, MultiChoice Group, to existing shareholders for $3bn; and they announced the formation of a NewCo comprising Naspers' international internet assets and their plan to sell 25% of the entity on the Euronext Amsterdam exchange to attract international investors and alleviate some of the JSE weighting pressures). We will find out later this year how successful this will be. The company has historically traded at a premium, especially before 2008, [32] and I believe that good management teams, who are incentivized to do the right thing with skin in the game have a fair chance at figuring it out.

While the discount receives a lot of attention, the bigger picture, in my view, is that the company's portfolio of assets is likely to continue to compound at attractive rates for the foreseeable future. The private companies are doing well. Classifieds has attained profitability, Payments is growing Total Payments Volume in the mid-to-high 20's per year, and food delivery orders are growing 77% per year. Naspers sold its 11.8% stake in Flipkart for $2.2bn in 2018, achieving a 32% IRR[33], and the rest of the portfolio is compounding at 20%+ IRRs[34].

On the other end of the spectrum, Tencent is one of the very best businesses in the world, benefitting from sustainable competitive advantages due to network effects. Tencent is the dominant social networking site in China, the no.1 player in online games, music, books, news and app stores, and the no.2 player in online video, payments, and cloud computing. All tied together by WeChat, the "super app" though which 1 billion users spend over an hour per day[35] running their daily digital lives, from messaging with family and friends, to booking tickets, paying bills, and arranging transportation.

With $368bn enterprise value (market capitalization of $437bn less net cash, minority listed equity investments and investment stage minority holdings of approximately $70bn), Tencent is trading at 25x its 2018 EBIT of $14.5bn. Given that revenues have grown almost 39% per year for the last 5 years, slightly ahead of EBIT, with several avenues for Tencent to increase advertising income amongst other levers, I find the valuation reasonable for such a high-quality business, especially when we have access to it via Naspers at a large discount.

Unity - exit

In 2015 Windstream, a struggling and over-levered regional telecoms company, spun out Unity Group, a REIT housing its fiber and copper telecommunications assets. Unity's shares were priced at $30 in its IPO, and proceeded to trade down to the low teens, largely due to continuing troubles at Windstream and the fear that this would cause it to default or renegotiate its lease.

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[32] Graham & Doddsville newsletter, see page 30 https://bit.ly/2PT1nQB

[33] Press release Naspers sells stake in Flipkart https://bit.ly/2WDhfcK

[34] The current portfolio generated a 22% IRR based on $9.9bn invested and a current value of 23.6bn ($5.6bn above the ML valuation I used in my Sum of Parts valuation). Naspers H1 2019 company presentation https://bit.ly/2Vf2ZoL

[35] https://bit.ly/2X2D0Te

I became interested in Unity given what I thought was a compelling valuation for a REIT that was protected by a 15-year Master Lease Agreement with strong landlord protections covering mission-critical assets, and good rent coverage which had been enhanced following synergies from accretive acquisitions. I was also attracted to Unity's strategy to acquire fiber assets in less competitive Tier 2 and 3 cities, that were being used at approximately a quarter of their capacity, pay initial yields of 7-10%, and then lease the unused capacity to new tenants generating recurring revenue at 90%+ incremental gross margin. This reminded me of American Tower and its very successful strategy with cellphone towers. The company was executing well, having deployed a cumulative $2bn in a number of transactions and entered into a joint venture with Macquarie Infrastructure and Real Assets (a $129bn alternative asset manager).

Unfortunately, Windstream was the subject of a lawsuit brought by Aurelius Capital Management, a hedge fund with a formidable reputation in distressed debt and known for buying a company's securities and then fighting prolonged court battles over arcane legal issues. It claimed the spin out of Unity had tripped bond covenants forbidding the sale and leaseback of its assets, and therefore Windstream was in default of those loans and owed a large penalty as well as immediate payment of the bonds. Windstream denied this strenuously, backed by two legal opinions from prominent law firms, and launched a bond exchange offer to try to get bondholders to consent retroactively to the sale-leaseback. I decided to trust management in their view they would prevail. Unfortunately the judge ruled in favor of Aurelius in February 2019.

With the benefit of 20/20 hindsight, I draw a number of lessons. First is to avoid taking binary risk regardless of the potential attractions of an investment. Second is to be mindful about my circle of competence, I had no edge in trying to determine the facts of a legal case. Third is to guard against availability bias[36]. I said that I drew comfort from the strength of the Master Lease, probably because I related it to the leases in the family business. I also compared it to a familiar case study in American Tower without paying enough attention to the differences. While drawing from past experiences is important, each new investment needs to be judged on its own individual merits and risks.

[36] https://en.wikipedia.org/wiki/Availability_heuristic

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