



Implicit and explicit

The capacity to incorporate the intangible and unquantifiable into an investment process may serve as an enduring advantage. Some examples of the intangible and unquantifiable include the culture of an organization, the reputation of a firm, the dedication of a CEO, the durability of a brand, the excellence of a product. Each is critically impactful but fundamentally defies encapsulation or measurement. The intangible and unquantifiable is no less important for understanding reality than the tangible and quantifiable—what can be defined, measured, or proved; the stuff of Excel, Wall Street comp tables, earnings estimates, and the like. However, the investment world tends to prize the latter and discount the former. Thus, there is an opportunity for long-term investors to attain an advantage from skillfully incorporating *both*.

This kind of advantage may be not only robust to technological change but also potentially enhanced by it. Historically, technology has enabled and encouraged market participants to immerse themselves in analysis and quantification, and such activity has tended to crowd out other forms of understanding and insight. Both traditional tools like Excel and newfangled tools based on AI have in common that they are incredibly useful at the same time as they subtly reinforce the tendency to disregard aspects of reality that they do not capture. One can enthusiastically embrace technology while placing equal emphasis on culture and other factors that do not lend themselves to being understood solely via the remixing of symbols on a screen. To the extent that market participants become increasingly immersed in and reliant upon technology, it is possible that the capacity to incorporate what lies beyond the reach of technology will become even rarer and more valuable.

A full picture of the intangible and unquantifiable requires *direct experience*—e.g., of a company's people, products, customers, ecosystem, and so forth—informed by well-honed intuition and qualitative judgment. We are increasingly focused on cultivating and refining this aspect of our research process, which we refer to as *implicit intelligence*, through deliberate practice. Our efforts include activities not traditionally associated with the investment profession, such as meditating, studying mindfulness, and engaging with coaches on topics like intuition and organizational systems. The resulting learnings have improved every aspect of our research process.

If implicit intelligence deals in the intangible and unquantifiable, then the tangible and quantifiable is the realm of *explicit intelligence*. We keep a running list of pairs that point to the various ways in which implicit and explicit intelligence work hand-in-hand, revealing complementary yet disparate aspects of reality. For example:

Explicit	Implicit
analytical	intuitive
quantitative	qualitative
conceptual	perceptual
symbolic	experiential
static	dynamic
strategy	mission
business model	culture

The implicit in action

To bring implicit intelligence to life, let's examine three fascinating examples of the intangible and unquantifiable: desirability, "perfection," and joyfulness.

What I mean by *desirability* is the quality of a product that makes people want it intrinsically. Desirability cannot be directly observed, measured, or proved, yet it is as real as the chair I'm sitting in, and it can be the foundation for multi-billion-dollar businesses. Desirability can be the cornerstone of a moat, such as with luxury brands; or it can be a buttressing force, such as with Apple. There is no checklist for identifying desirability, but it is possible to develop a know-it-when-you-see-it sense.

This brings us to G-SHOCK, the ultra-tough watches introduced by Casio Computer Co. in 1983. Greenlea Lane is not a Casio shareholder, but we prize G-SHOCK as a case study (and it has become our official timepiece). G-SHOCK represents one of my earliest memories of experiencing desirability. I remember, as child, being hooked by the idea of indestructibility and by the robust yet elegant design of the original models. I also remember copycats appearing in drugstores, cheaper and clearly of inferior quality. Only G-SHOCK was the real thing. Below are pictured the original G-SHOCK models that started it all:



Source: CASIO WATCHES app, Discover G-SHOCK

The modest air of the original G-SHOCK watches belies their pioneering spirit and the underlying technical accomplishment. The father of G-SHOCK is Kikuo Ibe, who joined Casio in 1976 and five years later conceived and led the quest for a tough watch. As he explained in a 2021 interview for Casio:

I had a cherished watch my father had given me when I entered high school. One day I dropped it in the hallway at work and it shattered into pieces. Watches are precisely crafted, delicate instruments. Back then, it was common knowledge that if you dropped your watch, it would break. The idea of toughness in a watch was very unconventional, yet my proposal met with approval as a new concept.

Ibe set out the specific challenge of designing a watch that could survive a 10-meter drop, possess 100-meter water resistance, and have a 10-year battery life. The drop test in particular was an arduous technical challenge, which nearly went unsolved.

Even after working on development for a year, I couldn't seem to find the solution. So as one last effort, I assigned myself one final week to go big or go home. I spent every waking hour—every hour of my dreams even—trying to find the solution. If I failed, I told myself, I'd take responsibility and resign my job. This would be my own way of admitting defeat. Even still, the fateful deadline arrived at the end of the week, and I had nothing to show for it.

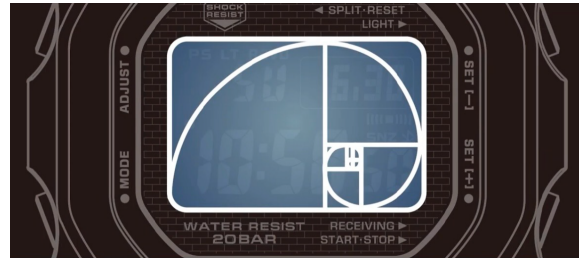
On the final Sunday, I came to work as planned. I spent the morning cleaning up after my experiments, then went out for lunch. Before returning to work, I happened to stop by a park next to the office and sat on a bench. The sight of children playing with a rubber ball there caught my eye. I was captivated by this scene. Suddenly, I envisioned a watch module—the “engine” of the watch, so to speak—floating suspended in the middle of this bouncing ball. That was the moment of the miracle. That revelation was revolutionary. With five levels of shock absorption, I would position the module inside the case, floating suspended!

Thus was born the original idea for a shock-resistant construction with hollow case structure. Two full years of development work. Over 200 prototypes. This idea of mine—or maybe you could call it an obsession—finally bore fruit in 1983.

Over the years, Casio vastly expanded its G-SHOCK offering, introducing dozens of styles, and innovating on toughness, power, accuracy, functionality, sensors, materials, design, and construction. I have owned several G-SHOCKs and continue to wear one now, so I know firsthand why the brand deserves its vaunted reputation. It is widely known for quality, usefulness, reliability, indestructibility, lifespan, and style—offered at a price point accessible to all. The brand has garnered mainstream appeal globally, notably finding fans among law enforcement, military personnel, athletes, and artists. To this day, Kikuo Ibe continues to lead G-SHOCK along with a cadre of long-tenured executives.

Something that has intrigued me over the years is the persistence of G-SHOCK's popularity. Over the past decade, quartz watches have faced disruption at the hands of smartwatches, which offer unbeatable functionality that is seamlessly integrated into ubiquitous mobile operating systems (iOS and Android). The Apple Watch, in particular, has been a scourge for quartz watches; since its introduction in 2015, Apple Watch has become one of the best-selling watches in the world. As many once-popular quartz brands descended into irrelevance, G-SHOCK continued to flourish, and today appears to be on its front foot. The strategy that has worked for Casio has not been to compete directly against smartwatches on utility but instead to improve and elevate the qualities for which G-SHOCK has always been known and loved. The key insight? It is desirability, not utility, that is the core of brand.

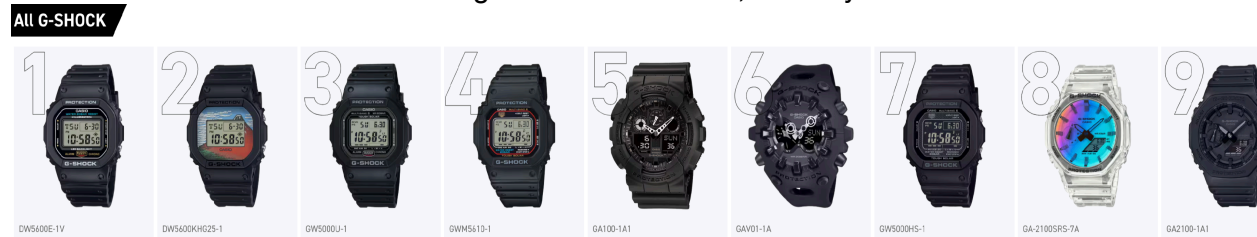
I can't help but point out a subtle design element of the original G-SHOCK model, now known to aficionados as the "square" because of its case shape: Its LCD display is a golden rectangle, meaning the ratio of the long side to the short side is the irrational number Φ or 1.618..., proportions considered by many to be uniquely beautiful (we agree!).



Source: G-SHOCK development story: Episode 2

Interestingly, out of all the models in G-SHOCK's range, modernized variants of the original square model remain consistently among the most popular today. As shown below (see 1, 2, 3, 4, and 7), after more than 40 years, the square is still going strong!

Best-selling G-SHOCK models, January 2026



Source: <https://www.casio.com/us/watches/gshock/products/best-sellers/>

The unusual longevity and universality of the G-SHOCK square places it in a class of products that we have come to call "*perfect*" (always in quotes). We chose this term to denote the rare timelessness of these products' identities, which is at once ordinary and mysterious. What makes something iconic? Casio itself tends to explain the square's timelessness in terms of its refined, form-follows-function design, which makes it simultaneously practical, reliable, and affordable, as well as attractive and versatile—enabling it to become a staple accessory. We often see in "perfection" a harmonizing of tradeoffs so elegant that the opportunity for fundamentally improving the product is all but foreclosed; its basic identity is set and the product tends to evolve only in subtle increments. The G-SHOCK square also represents something else we observe in "perfect" products: a solution so complete that, before long, the problem it set out to solve is forgotten. Indeed, the square introduced a new era, in which the fragility of wristwatches, previously a fact of life, was no longer an issue.

Although we do see patterns among "perfect" products and the organizations that give rise to them, we think it would be mistaken to attempt to define "*perfect*" or definitively categorize certain products as such. Context always makes all the difference. Some "perfect" products represent the artisanship of masters (iPhone), while others are pulled straight from nature (coffee). Some "perfect" products are important tools (Google Search), others are toys (Lego). Sometimes they possess desirability (Coca-Cola), other times not (Excel). Like desirability,

“perfection” falls squarely within the realm of the implicit. It admits of no checklist. It cannot be directly observed, measured, or proved—but it is possible to develop a nose for it.

We recently spent time with an organization that understands desirability and “perfection.” It is a leader in its technical and complex field, where its products are widely loved. The company’s strategy is to be the low-cost producer, and its engineering culture might aptly be described as efficient, frugal, and hardcore. When we asked the company’s founder and CEO about the principal inputs for making great products, we were fascinated that he was sure to include:

Joyfulness. A willingness to put features in because someone thought they were fun or cute provided there was no impact on beauty and negligible impact on economics. ...People will work harder and care more about products if they have quite a large amount of agency about what goes into them.

Joyfulness is something we have noticed in successful organizations over a range of domains, and which seems to be correlated with high performance. We see joyfulness in Greenlea Lane’s portfolio companies and have no doubt it is both an output of excellence and an input for excellence. Can we define it, measure it, or prove it? Not really. Our ability to recognize it in others and our conviction in its power are grounded in our own experience of joyfulness in our own work.

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