

There are two kinds of investors: **Top Down** and **Bottom Up**.

Top Down investors have an exceptional ability to underwrite *people*. They intuit founder quality, ambition, and character better than the rest of the market, often through pattern recognition. Their mental model is built on prior exposure to high-caliber operators, so when they meet someone who rhymes with those archetypes, conviction forms quickly.

In their algebra of investing, **founder quality is the constant**, and everything else (product, competition, etc.) is variable.

Examples: Charlie Munger, Jessica Livingston, pre-seed investors, most LPs.

Bottom Up investors, by contrast, excel at underwriting *businesses*. They perceive when a company's structure, incentives, or product mechanics echo successful precedents. They speak in terms of the "shape" of a business and the underlying logic that makes it work.

In their algebra, **company quality is the constant**, and everything else (team, narrative, etc.) can flex around it.

Examples: Warren Buffett, Bill Gurley, most later stage investors, most public-market investors.

This dichotomy is a tale as old as time: betting on the jockey versus the horse, or Buffett's quip about preferring businesses that could be run by a ham sandwich. The iron rule that both need to get right to succeed is the **market**. Without that, both approaches fail.

Top Down investors build their mental libraries through stories of people: the lived data of human ambition. Bottom Up investors build theirs through systems: understanding how markets equilibrate and why certain models outperform.

There's a surprisingly accurate litmus test—**what books you read**:

- If you read biographies, you're a Top Down investor.
- If you prefer systems books (markets, networks, and history) you're Bottom Up.

Biographies teach the human topology of success; systems books teach the structural underpinnings of it. It's only natural to gravitate towards the richest fonts of pre-training data.

The right sourcing motions are also different. Because Top Down investors think in terms of people, they source through their networks. Their edge compounds through calibrated referral nodes—friends, founders, and operators who know what "A+" looks like. They want their top of funnel filled with exceptional founders, not necessarily exceptional products. The spark of excitement comes from hearing about the person first, filling in details about the business later.

Bottom Up investors source through outreach. The probability that a truly differentiated product emerges within one's network is vanishingly small. Even someone's Dunbar number squared doesn't reach the frontier of experimentation. So they explore the edges by tracking products, new markets, and emergent shapes. They get excited first by what the business *is*, not who's running it.

None of this means Top Down investors ignore businesses or Bottom Up investors ignore founders. But it does clarify where their edge lies.

An uncomfortable truth is that each type performs poorly outside its lane. For example, in sourcing:

- A Top Down investor should avoid investing via outreach.
- A Bottom Up investor should not invest in referrals.

In picking:

- A Top Down investor's highest conviction should be in the team, not the business.
- A Bottom Up investor's highest conviction should be in the business, not the team.

Each thrives where their mental model naturally compounds. The trick isn't trying to be both, it's knowing which one you are and playing that game ruthlessly well. Alpha comes in the form of spikiness, not well-roundedness. The market rewards clarity of edge more than breadth of interest.