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Lessons on being a super-investor

I must admit that the title of this book “*Richer, Wiser, Happier: How the World’s Greatest Investors win in Markets and Life*” was somewhat off-putting for me – it seemed to be yet another superficial “how to get rich quick” tome, popular since the 1980’s investing boom. But this is not at all the case. For students of investing or professional investors, it may not offer ground-breaking insights into investment techniques, but author William Green does give readers much food for thought about the various ways today’s most successful investors approach the markets and, to a large extent, their lives. In this sense, the book can be a valuable tool for understanding the mindsets, life philosophies and personal attributes of individuals who have stood out from the crowd over many years, having conquered financial markets where the future is unknowable and the present consistently defies logic, driving many an investor to ruin and despair.

Green is a veteran financial journalist with 25 years of experience interviewing and getting to know some of the world’s best investors, and he shares with us the benefit of his access and personal relationships by gathering a collection of investment – and life – lessons he has garnered directly from over 40 admired investors, some very well-known and some much less in the spotlight.

The best-known among these include Warren Buffett, Charlie Munger, Howard Marks and Sir John Templeton (he was invited to Templeton’s private Caribbean island). While much has been written about these high-fliers, the chapters on Munger and Templeton in particular stand out for their first-hand accounts. Other wisdom comes from the likes of Bill Miller (of Legg Mason

and Miller Value Partners) and Joel Greenblatt (Gotham Capital). And lesser-known, but equally enlightening, interviewees include Mohnish Pabrai (a copier of Buffett who, together with another investor paid US\$650,100 for lunch with the Sage of Omaha), Nick Sleep and Qais Zakaria of the Nomad Partnership, Jean-Marie Eveillard (Société Générale) and Jeff Vinik (Fidelity's Magellan Fund and Vinik Asset Management).

Here are some highlights of lessons that stood out for me:

Around risk:

- ❑ Don't attempt to predict the future, rather respect uncertainty. There is so much randomness that it is best to prepare for several different future scenarios and not take big bets on any one outcome that could result in ruin.
- ❑ Never use debt or leverage.
- ❑ Recognise your own limits and remain humble. Avoid investing in things you don't understand, and equip yourself to avoid the standard "idiocies" to which humans fall prey.
- ❑ Be a realist, be skeptical and question what the crowd does. Always be aware of your risk exposure and require a margin of safety in the price you pay.


Around return:

- Don't buy more of the companies that you can make the most money on; buy more of companies that you can't lose money on.
- It's a long-term game about resilience: Instead of obsessing over short-term gains, focus on becoming shock-resistant and staying in the game. It's about longevity.
- Resounding victories tend to be the result of small, incremental advances and improvements sustained over long stretches of time.
- Quality in everything (life, stock selection, investment management business).
- Success in investing (and life) requires very, very hard work and dedicated focus.

If some of these lessons sound familiar to our M&G Investments clients, that is because many are foundational to our own valuation-driven investment approach. We employ them daily and remind ourselves of them regularly, checking to ensure we have not strayed, as humans tend to do, into poor behaviours. To read this book is to better understand how we think about managing your money.

Equally, extrapolating these into broader life applications can be edifying for anyone, especially as we're all prone to biases

and the failings of human psychology. What may not be as desirable, however, would be to adopt some of their more extreme personality traits, which can include being “extremely unemotional” and difficult to connect with socially, as well as “obsessive”.

Apart from its highly accessible style, a final feature I appreciated about Green’s writing is that, after sharing detailed insights drawn out over many hours of interviews, he helpfully synthesises these into more fundamental takeaways. He additionally uses boldface so that they easily stand out from the page for the reader, should he or she be short of time. Not that I would recommend taking this short cut... 

Lynn joined M&G Investments in June 2013 and has almost 30 years’ experience writing about global economics and financial markets. She is responsible for overseeing M&G Investments’ client magazine, media articles, client communications and digital content. She was previously Head of Communications at Old Mutual Investment Group for seven years, and a senior financial journalist at both I-Net Bridge in Cape Town and Thomson-Reuters in Hong Kong. She has also worked in France and in Washington DC at US State Department for four years. Lynn’s qualifications include a Masters in Public Affairs (Economics) from Princeton University’s Woodrow Wilson School, a graduate year at the Ecole National d’Administration in Paris and a BA in Economics (Honours, Magna cum laude) from Kalamazoo College, Michigan.