

16 Rules for Investment Success

The late Sir John Templeton, founder of Franklin Templeton Investments, penned an article in 1993, in which he set out these 16 rules. He starts the article with a quote saying –

“I can sum up my message by reminding you of Will Rogers’ famous advice: Don’t gamble, he said. Buy some good stock. Hold it till it goes up... and then sell it. If it doesn’t go up, don’t buy it!”

- 1) **Invest for Maximum Total Real Return** - Look at the total return after tax and inflation. It is imperative to protect purchasing power.
- 2) **Invest, don’t Trade or Speculate** - Avoid too much activity, which is often costly. Preferably be a more patient and less emotional investor.
- 3) **Remain Flexible and Open Minded About Types of Investment** - While there is no one type of investment that will always produce the best return, history does indicate that shares outperform. *“There is no real safety without preserving purchasing power.”*
- 4) **Buy Low** - Of course this is obvious, but in practice exceptionally difficult to go against the crowd because low prices are equated with a pessimistic outlook. Benjamin Graham said, *“Buy when most people...including experts...are pessimistic and sell when they are actively optimistic.”*
- 5) **When Buying Stocks, Search for Bargains Among Quality Stocks** - Marks of quality include being a sales and technological leader, a strong and proven management team, well capitalised balance sheet, trusted brands, high profit margins etc.
- 6) **Buy Value, Not Market Trends or the Economic Outlook** - *Focus less on the economic trend and more on individual shares, “which can rise in a bear market and fall in a bull market.”* Individual shares and the economy do not always march in lock step.
- 7) **Diversify. In Stocks and Bonds, as in much else, there is safety in numbers** - Because no one can predict nor control the future, diversify across industries and countries.
- 8) **Do Your Homework or Hire Wise Experts to Help You** - Investing is either buying a claim to a future income stream or underlying assets. In all instances thorough homework needs to be done to analyse price paid versus value on offer.
- 9) **Aggressively Monitor Your Investments** - *“Expect and react to change. No bull market is permanent. No bear market is permanent. And there are no stocks that you can buy and forget. The pace of change is too great.”*
- 10) **Don’t Panic** - Market crashes will occur, but don’t sell out at the bottom unless you can find more attractive opportunities.
- 11) **Learn from Your Mistakes** - *“The only way to avoid mistakes is not to invest – which is the biggest mistake of all. Successful people learn from their mistakes and the mistakes of others.”*
- 12) **Begin with a Prayer** - *“If you begin with a prayer, you can think more clearly and make fewer mistakes.”*
- 13) **Outperforming the Market is a Difficult Task** - *“Any investment company that consistently outperforms the market is actually doing a much better job than you might think.”*

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- 14) **An Investor Who Has All the Answers Doesn't Even Understand All the Questions** - *"Everything is in a constant state of change, and the wise investor recognises that success is a process of continually seeking answers to new questions."*
- 15) **There's No Free Lunch** - Investing is not easy and there are no short cuts. Never invest on sentiment. Never invest in an IPO and never invest solely on a tip.
- 16) **Do Not Be Fearful or Negative Too Often** - *"For [over] 100 years now optimists have carried the day in US stocks... There will, of course be corrections, perhaps even crashes. But over time, our studies indicate stocks do go up... and up... and up."*

Kind regards,



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ADDITIONAL INFORMATION (where applicable)

Performance has been calculated using net NAV to NAV numbers with income reinvested. Full performance calculations are available from the manager on request.

DEFINITIONS (where applicable)

Annualised Return	Annualised return shows longer term performance rescaled to a 1-year period. Annualised return is the average return per year over the period. Actual annual figures are available to the investor on request.
Highest and Lowest Annual Return	The highest and lowest returns, since launch, for any rolling 1-year period have been shown.