Seed Weekly

Let’s Hear from Successful Investors

While there is never one silver bullet when it comes to prosperous investing, it is definitely worth listening to, and as far as possible, applying, some of the pithy sayings from successful investors.

Risk Management

The savviest investors think about probabilities, risk and reward and the paramount importance of avoiding catastrophes.

Irving Kahn, *“investing is about preserving more than anything. Considering the downside is the single most important thing an investor must do.”*

George Soros, *“It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong.”*

Howard Marks says – when taken too far, “risk avoidance” condemns you to “return avoidance”.

Too Much Diversification

We often discuss the importance of diversification, but there is a view that says too many managers *“place many bets, small best and frequent bets.”*

William James, *“the art of being wise is the art of knowing what to overlook.”*

Nick Sleep, *“we knew that we didn’t know many things, so it made sense to us only to have a few shares because those were the only things we ever understood and ever really knew.”*

Exercising Patience as An Investor

Warren Buffett said at Berkshire 1998 annual meeting *“We don’t get paid for activity, just for being right.”*

Sir John Templeton, *“In order to have a really good investment result, all you need is patience.” Adding “people who change from one fund to another as often as once a year are basing it more on emotion that investigation.”*

Joel Greenblatt, *“For most individuals, the best strategy is not the one that’s going to get you the highest return. Rather the ideal is a ‘good strategy that you can stick with’ even in bad times.”*

Edwin Lefevre, *“After spending many years in Wall Street and after making and losing millions of dollars I want to tell you this: It never was my thinking that made the big money for me. It always was my sitting. Got that? My sitting tight!”*

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The Importance of An Investor's Emotional State

So much has been written on investor psychology, but it remains largely underappreciated as a factor for superior investment returns.

Sir John Templeton – *"most people get led astray by emotions in investing. They get led astray by being excessively careless and optimistic when they have big profits, and by getting excessively pessimistic and too cautious when they have big losses."*

Howard Marks – *"scepticism calls for pessimism when optimism is excessive. But it also calls for optimism when pessimism is excessive."*

In the preface to the 4th edition of the Intelligent Investor, Warren Buffett, *"To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework."*

Robert Arnott, *"In investing, what is comfortable is rarely profitable."*

Seth Klarman, *"Investing is the intersection of economics and psychology."*

Sir John Templeton, *"Bull markets are born on pessimism, grow on scepticism, mature on optimism and die of euphoria."*

Simplify

Don't underestimate the importance of simple ideas that carry tremendous weight. For example, compounding is a simple but extremely powerful idea.

Jack Bogle, *"the great paradox of this remarkable age is that the more complex the world around us becomes, the more simplicity we must seek in order to realize our financial goals… simplicity, indeed, is the master key to financial success."*

Warren Buffett's laid out his *"simple"* four-point criteria on stock selection. *"We want businesses to be (1) one that we can understand, (2) with favourable long-term prospects, (3) operated by honest and competent people, and (4) available at a very attractive price."*

Conclusion

While investors may differ in their investment philosophy, styles and processes, the more one studies the great investors, the more one finds commonalities. I find common ground on issues such as risk management, patience, avoiding the noise, and achieving the right emotional balance. Successful investing also includes lifelong continuous learning from the best.

Kind regards,

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Chief Investment Officer

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