

WATHEEQA INVESTOR DIGEST

About WID


Issue-04, 30-September-2009


Some of the world's renowned investors when asked what makes them great – the unusual but common answer is “We read and think”. The main goal of WID is to bring our clients the best interviews, articles, research and thought provoking material that we come across, read and thoroughly enjoy. Our collections are old, nevertheless timeless treasures while some are recent and highly recommended.

We thought; why not put these gems together each month and share the collective wisdom of what we read. WID is our contribution from that inspiring idea. We truly believe – what you read and how much of that you internalize; reflects who you are. We suggest you archive our premium collections; read them and re-read them.

[You are not buying a stock, you are allocating capital](#)

John Mihaljevic, the managing editor of *Manual of Ideas* has written a thoughtful essay; The key idea is painfully simple; but not necessarily easy. Well that's what distinguishes a successful investor from the rest.


Mihaljevic begins his argument “Buying a stake in a publicly traded company is deceptively easy. Log into your brokerage account, type in the ticker of the company whose stock you wish to buy, and — voilà! — you own a stake in the enterprise. Many investors don't even refer to companies by their name; they simply invoke the ticker symbol. The ease with which stocks are bought and sold obscures the underlying nature of a stock market transaction and invites bad decision making. The trick is to avoid thinking of a stock as a readily disposable piece of paper and instead consider that you are buying a percentage of a business whenever you purchase a share of stock. Your purchase makes sense only if you would invest your capital directly in the business at the terms implicit in the market price of the stock.” **Read more** 


Source: [The Manual of Ideas](#) 

[So don't lose is always going to be rule No. 1 - Berkowitz](#)

There are just a handful of investment managers whose interests are aligned with those of the shareholders – Bruce Berkowitz is notably one among them.


Berkowitz eloquently makes his point “ Well, there are many elements. If you are going to manage other people's money and do it well, you have to put yourself on the same level, the same playing field as your investors. The only way to do that is by being one of your own investors. In order to make as few mistakes as possible, I assume that investors have entrusted me


with all of their money, and then I try to understand the implications of that. Essentially, it means we can't lose. The only way to fully understand that is for me to put as much of my own money as I possibly can in the fund. So, we are trying to create level playing fields. I am constantly trying to put myself in the shoes of our shareholders and our investors. So, “don't lose” is always going to be rule number one because no one wants to go back and start again. And again, that is easy to say and easy to think about, but until you put yourself in the situation where if you did lose, you would have to start all over again, then you can't fully comprehend it. **Read more** 

Source: *Columbia Business School, Graham and Doddsville Newsletter, Winter 2009* 


[No Free Lunch: Seven Habits of Highly Defective Investors](#)


Paul Krugman in this short essay lists seven habits that could destroy wealth – they are (1) Think short-term (2) Be Greedy (3) Believe in the greater fool (4) Run with the herd (5) Over-generalize (6) Be trendy and (7) Play with other people's money.

Habit seven is striking and Krugman adds “If, as I said, the people at that meeting were very smart, why did they act in ways that seem so foolish? Part of the answer, I suspect, is that they are employees, not principals; they are trying to make money and careers for themselves. In that position, it is hard to take a long view: In the long run, even if you aren't dead, you probably won't be working in the same place. It is also difficult for someone managing other people's money to take an independent line. To be wrong when everyone else is wrong is not such a terrible thing: You may lose a bonus, but probably not your job. On the other hand, to be wrong when everyone else is right... So everyone focuses on the same short-term numbers, tries to ride the trends, and buys the silly economic theory du jour.” **Read more** 

Source: *Fortune, 29 December, 1997* 

[Guy Spier – Talks to Manual of Ideas](#)

Guy Spier in this gripping interview to MOI argues “The biggest mistake is when we as investors stop thinking like principals. I think that when we think as principals, when we apply Ben Graham's maxim that we should treat every equity security as part ownership in a business and think like business owners, we have the right perspective. Most of the answers flow from having that perspective. While thinking like that is not easy, and most of the time the answers are not to invest and to do nothing, the kind of decision-making that flows from that perspective tends to be good investment decision-making.” **Read more** 

Source: *The Portfolio Managers Review, The Manual of Ideas, July 31, 2009* 

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Share the wealth

In this age of information bubble, reading materials that truly inspire and further our learning – are far and few. That's the reason we chose to identify the best and share the wisdom with our readers.

Please send us your feedback and any article, reports, links that you find are valuable keeping in mind the spirit of WID. This way we can learn together and much faster.

You may email us at: intelligentinvestors@watheeqa.com

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