

Arnold, Glen - The Great Investors

FT Prentice Hall, 2001, [Equity Investing] Grade ★★★★★

I love stock picking and I love stock pickers. Not the way I love my wife and kids, but still. This is a book that covers the strategies and processes of eight superb stock pickers plus one of the few persons ever who truly have mastered the game of market timing. The author Glen Arnold, investor and professor of investment and finance at Salford University, has in my opinion grasped the essence of value investors like Ben Graham and John Templeton, the GARP strategies of Peter Lynch and Philip Fisher plus all the other superstars this book covers.

Of course you could say that the reader would get a fuller picture of these investors by reading John Neff on Investing, The Essays of Warren Buffett, Investing with Anthony Bolton etc. but why not take this excellent short cut? It is a smorgasbord of some of the best concepts in finance. The reader becomes acquainted with Fisher's in depth method for corporate research called scuttlebutt and Ben Graham's concepts of Margin of Safety and Intrinsic value. Warren Buffett and Charlie Munger teach you to stick to what you know, i.e. to keep within your circle of competence, and wait for the fat pitch when the opportunity in the franchise with an impermeable moat shows up. Top that off with George Soros theory for understanding market dynamics called reflexivity and you have a toolbox that will take the reader a long way.

It is always interesting to see how persons who know their subject interpret the deeds of the investment greats. There are also quite a few books in this format with John Train's The Money Masters from 1994 and Jack Schwinger's 1989 classic text on top traders called Market Wizards as the prime examples. These two books and Arnold's The Great Investors all share the structure of simply lining up a number of investors one after the other – in this case roughly 50 pages on each. To succeed with such an elementary story line you, as a reader, really have to get under skin

of the portrayed investors. Arnold does a good, but not great, job with presenting the various personal backgrounds and the effects these had further on. On the other hand the book is pedagogic with pictures and flow charts that try to explain the quintessence of each investor's methods. This and a text with a good flow make the book very accessible and both the novice investor and the more seasoned one may benefit from the reading.

Arnold also includes a very short introduction displaying some commonalities amongst the persons he portrays. Habits such as to be a business analyst rather than a security analyst, of controlling emotion, having consistency in the approach used and the effort to constantly try to learn from mistakes are selected as mutually used. Ideally I think the author could have made an additional effort to tie this together after presenting his all-star line-up. Why not end with a discussion on how the investors differ, which ones share the most commonalities, if someone is an odd man out (clearly Soros) and how all this ties in with differences in investment horizons, temperaments and much more?

One of Sir John Templeton's many clever quotations is "The four most expensive words in the English language are 'this time it's different'". Apart from pointing to the fact that the equity investor - both in times of panic and of hubris - should take notice of the fact that the stock market over time fluctuates around trend earnings that grow rather steadily, it also reminds us that successful long term investing really hasn't changed over the last century. This is also why there is so much to learn from these previous masters of the money game.

If you have the time you should absolutely read the books written about and by each and one of these investors, but if not, Arnold's book is a really good substitute.

Mats Larsson, February 11, 2012