## Carret, Philip L . – The Art of Speculation

*Dover Publishing, 1930, [Equity Investing]* Grade ★★★★★

Every year, every business cycle and every decade has its hero. Few keep the track record over an extended time period so one conclusion is that he or she just happened to be long or short the asset proved right to be long or short at a certain time. Philip Carret (1896 – 1998) cannot be accused of being a one hit wonder.

He was the founder (in 1928) of the Pioneer Fund which he ran for 55 years, during which an investment of $10,000 became $8 million. Warren Buffett said of him that he had "the best long term investment record of anyone I know". (This is actually the longest measured successful period, confirmed by the book "*The World's 99 Greatest Investors*".)

However, he was not off to a good start since the fund lost money in the stock market crash of 1929 and the Great Depression that followed, but from the mid-1930's Carret had an amazing performance. How many would have stayed with his/her investment philosophy after negative returns for such a long time?

Two years after starting the fund *"The Art of Speculation*", was published. It was originally written as a series of articles for Barron's in 1927 and described the process he used for his investing. He was around 30 years writing these articles/book and starting the fund. To keep one's head cool living through the mother of all bullmarkets is clearly an achievement in itself, especially when being in the early 30's.

Keep in mind that Benjamin Graham's *Security Analysis* was published in 1934. My guess is that *The Art of Speculation* meant a lot to Mr. Graham and you could argue that the contents of the two books are rather similar. However Carret's book is clearly the lighter version. The good news then is that this book is a much easier read, and also I think it makes some very good observations in the end. The text is obviously dated and irrelevant in some instances and sometimes the author is a bit slow to make obvious points.

The book is beautifully wrapped up in the last chapter with "*Twelve commandments for the speculative investor*". These and his comments have travelled well since they were written. My top 4 are below.

- At least once every six months, reappraise every security held;
- Seek facts diligently, advice never;
- Borrow money sparingly and only when stocks are low, money rates low and falling and business depressed;
- Set aside a moderate proportion of available funds for the purchase of long-term options on stocks in promising companies whenever available.

The author's intro: *Successful speculation requires capital, courage and judgment. The speculator himself must supply all three. Natural good judgment is not enough. The speculators judgment needs to be trained to understand the multitudinous facts of finance. It is the hope of the author that this book can be of assistance in that connection.*

I agree with his statement and hope that many more read this wonderful book.

Bo Börtemark, October 6, 2013