
Mihaljevic, John - The Manual of Ideas

John Wiley, 2013, [Equity Investing] Grade ★★★★★

This book is a result from John Mihaljevic's many projects, for example the websites Manual of Ideas and Valueconferences plus his investment firm, Mihaljevic Capital Management LL., and all of these are in their turn the result of his effort to answer a question he put to himself in 2003, "Should I give my savings to Warren Buffett or invest it myself?" In 2003 he had savings of 100,000 USD, after working as an analyst at Thomas Weisel for a couple of years. Ten years later he has produced this book to answer that question. I highly praise Mihaljevic's total achievement, not the least since it's a lot about sharing.

This is a very current book which I think is unique in the sense that it connects to all of the above-mentioned work that is ongoing in real-time. So after reading this review, buy the book, and after reading the book go to the author's website <http://www.manualofideas.com/> to be updated with the latest details as well. *The Manual of Ideas* is not a beginner's book, but I still maintain that everyone, including those who think they know everything, will learn something from this book.

The first chapter spells out the author's personal story and gives you a great framework, nothing really new if you are a value investor already but a very nice summary and also the chapter the author recommends the most. The following nine chapters are devoted to various ways to make money. Some of the chapters are unnecessarily long and slightly repetitive. More actual examples would have been helpful. All "Magic Formula lovers" are in for a treat in chapter four. It contains a lot of insights and a guest appearance by Joel Greenblatt, who takes his formula further.

However my three favorite chapters are, three, eight and nine. Chapter three – Sum-of-The-Parts-Value - is an intriguing chapter that I found very useful, not least the list of ten investors specialized in finding these types of situations with CIK number to search SEC filings. Chapter eight - Special Situations – has a few wonderful pages on behavioral issues and how everyone can improve

themselves (writing an investment diary). This chapter also has a list of websites/blogs that the author recommends. Since they were quite a few, I asked Mihaljevic for his top picks and they are: Corner of Berkshire and Fairfax, Old School Value, and the American Association of Individual Investors. Chapter nine – Equity Stubs - is a very insightful chapter on the dynamic of equity and debt. "I look for situations where I think prices reflect some sort of probability misjudgment".

Most of Mihaljevic's ideas are problematic as value investing in many ways means investing when things are bad (and even getting worse), i.e. you have no trigger and need to be patient. There is some discussion on the topic in the book in most every chapter, which I think could have merited a chapter by itself. However, the author kindly provided me with the following answer: "*Timing and catalysts are some of the most misunderstood concepts in investing. The problem is that if a catalyst is evident, the stock price will have already moved to reflect the catalyst. Meanwhile, most investors don't have the patience to buy a clearly undervalued company in the absence of an identifiable catalyst. Ironically, my experience has been that truly cheap equities outperform even without a catalyst. Ben Graham referred to this as the mystery of the market, which acts as a "weighing machine" over time. Smart investors like Joel Greenblatt have even talked about "time arbitrage" as a strategy, referring to the market-beating returns available to investors who are willing to invest without worrying about timing*". This actually fits very well with my own view and it's very neatly formulated above. If I would add a little bit to this, it would be to stay clear of companies/industries at risk of being in secular decline and capital-intensive industries, especially if they have a lot of debt. Otherwise you run the risk of a permanent loss of capital and you don't have time on your side.

I am very happy that Mihaljevic didn't give his savings to Buffett, but instead wrote this book and everything else. I look forward to his next book and all other pursuits. Best of luck John, and please make sure to write another book.

Bo Börtemark, December 6, 2013