

**Tian, Charlie – Invest Like a Guru**

Wiley, 2017, [Equity Investing] Grade ★★★

For the last decade of declining interest rates traditional low valuation multiple, deep value investing has not fared at all well. Thus, value investing has gradually migrated to a position of investing in quality growth, compounding franchise types of stocks. Charlie Tian, the founder of the popular value investing website GuruFocus.com, has written a useful beginner's guide to this value investing 2.0 style. Quite fittingly Tom Russo has written one of the recommendations on the cover, as he is probably the closest to the ideal investor in the genre that Tian advocates.

Tian gives the largest credit to Peter Lynch, Warren Buffet, Donald Yacktman and Howard Marks in shaping his thinking. I would argue that the largest impact might instead have been the TMT-crash of 2000/02. The author who is a physicist by training and who used to work with fiber optic communication lost his shirt on investing in the companies he thought had a great future and where he knew the technology inside out. Like all good learners Tian turned this setback and defining moment to something positive and he immersed himself in the ways of successful value investors and soon started his website – which must be said, is now a great resource for value investors.

*Invest Like a Guru* contains numerous wise thoughts from the obviously very learned author. Still the level is quite basic and I sometime miss the nerve of the writing of Tian's heroes such as Howard Marks. The structure is also fairly basic with a description of what the author has picked up from his role models, why an investor should chose the franchise value type of investing and how to execute it, including the selection of holdings and the portfolio construction. Tian advocates quite categorically for investing in a fairly thin slice of the equity market but he

describes the process well. Perhaps somewhat too much attention is given to the historic performance of companies and too little to how to secure that they will perform equally well in the future. A chapter on barriers-to-entries and competitive advantages wouldn't have been out of place.

At times there are a bit too many references to the author's web site, which some readers can potentially find disturbing. This isn't my main objection to the text however. It is the grudge the author seems to hold against deep value investing. Chapter 2 is dedicated to arguing against this "value investing 1.0" and correctly points to the many difficulties it entails. Then later on in the book Tian returns to discuss the main problem with deep value investing – the problem with value traps. Again it is a fair or even good description of the topic but it is to me quite unclear why it's there. Why discuss the problem of an investment style that you are not writing a book about when you leave out the main difficulty when it comes to investing in high quality growth companies – the gravity of the reversal-to-the mean in performance that so often creates a double whammy when valuation multiples follow the profitability south? What is Tian's advice in differentiating between temporary problems and a decline that is really the first phase of a secular return to normality for a once great company?

One further unaddressed issue in this is how the allegedly contrarian value investors reconcile their 2.0 style choice with the fact that all value investors now are quality growth investors and almost non – save Seth Klarman – are deep value investors. This makes most value investors more mainstream investors than they should really be comfortable with. This is an okay book. However, it needs to be more forward looking.

Mats Larsson, December 02, 2017