

**Mobius, Mark (with Fenichell, Stephen) – Passport to Profits**

Warner Books, 1999, [Equity Investing] Grade ★★★

For 30 years emerging markets equities have been synonymous with the bald, Yul Brynner-like head of Mark Mobius, the portfolio manager of The Templeton Emerging Markets fund. Over the period Mobius, often called the global nomad for his relentless 250 travelling days a year, managed to return 12.6% per year – an outperformance of about 2 percentage points per year. Mobius, now aged 81, has recently announced his retirement from Templeton – but only to launch his own ESG-funds. Some of the tireless energy remains.

The legendary investor John Templeton hired Mobius in 1987. Apart from being one of the truly iconic value investors Templeton, less well known, has also sometimes been called the godfather of emerging markets investing. This book is written just one third into Mobius' fund manager career. Still, since the author prior to his fund management vocation, had run several companies, he possesses the oversight and perspective of a much more seasoned emerging markets PM. In *Passports to Profits* (perhaps a bit clichéd title?) the reader gets to accompany Mobius and his team on their travels to Estonia, Russia, Hong Kong, Thailand Brazil, Nigeria and South Africa. In each part of the world the author meets a string of companies and uses these case studies to discuss the development of the region at hand – this is written only a year or two post the 1990's Asian crisis - and to teach the reader the investment lessons needed to invest in less mature equity markets.

Mobius clearly has emulated Templeton with regards to his investment style. The focus is on the change in fundamentals on a five-year time frame with a well-defined contrarian stroke as crashes are seen as buying opportunities instead of something negative. Since EM countries often differ substantially when it comes to inflation levels Mobius adjusts for this when looking to valuation multiples. Due to the relative lack of corporate information and the sometimes shaky shape of the

corporate governance in many emerging market countries, visiting management is absolutely vital. On top of the managerial sales pitch Mobius tries to overlay a less emotional view of the environment, history and situation of the company.

Mobius hasn't always been popular in all camps as he's flamboyant, cocky and self-confident and seldom holds his punches when it comes to advocating the free market economy as a force of positive change or in criticizing the crony capitalism of many corrupt third world leaders that often labeled themselves socialist. In fact, many of Mobius' best investments have been in recently privatized companies liberated from centrally planned corporate governance that induced a destructive land grab mentality instead of creating values for the customers. Mobius' record is great overall but it has been volatile, giving his critics ammunition during less successful times.

The author's elevated self-image isn't always fully beneficial for this book. Most of the investment lessons are given in the form of sometimes a bit pompous "Mobius Rules". The thing is, there are 84 rules listed throughout the book and they are of quite different depth and often overlap. If all these rules had been distilled down to perhaps 20 rules they would in my view have been more memorable. There are numerous rules and also case studies throughout the book, sometimes at the expense of more generalized lessons. Reading this text almost 20 years after publication gives a useful reminder of the end-of-history-sentiment at the time. The potential of Russia and Eastern Europe is on par with that of China and the Asian tigers. The liberal democratic market economy was to lift all boats into prosperity. It was at the time obviously hard to foresee how different these regions would develop going forward.

Mobius delivers a well-crafted story of fundamental kick-the-tires fund management well worth reading for those that are into EM stocks.

Mats Larsson, March 10, 2018