Dear Potential Investor,

In 1949 Benjamin Graham wrote; 'To achieve satisfactory investment results is easier than most people realize; to achieve superior results is harder than it looks'. This sentence, the last of a book that Warren Buffett, the legendary investor calls ***'the best book on investing ever written'*** it is still relevant to your decision on how to invest.

Why is life easier now for those wanting satisfactory returns? Answer: Vanguard

It is now easier and cheaper to achieve satisfactory returns than it was in 1949 thanks to index funds, pioneered by The Vanguard Group. A little detail: index funds aim to deliver the return of a particular investment market at very low cost. Keeping costs low helps achieve a satisfactory return. And the Vanguard website provides excellent resources to show what returns can be expected – but be careful; there is no right answer to what is a satisfactory return. The answer depends on your circumstances, emotions and acceptance of risks – as Vanguard shows.

How might we make a superior return? Answer: Deal with Mr. Market, the manic-depressive.

We want a superior return but how can we achieve this given the intense competition that exists? By dealing with Mr. Market, a mythical character from the 'Intelligent Investor'. This manic-depressive is always open for business. Some days, overcome with fear, he'll offer to sell parts of businesses (shares) to us at prices below their intrinsic value. Other days, full of enthusiasm, he'll offer silly prices for our shares. Why would he do this? Simple, he doesn't decide the price.

Individuals are too emotional.

Individuals buying and selling in the stock market make the price. They have a common failing which is they are too emotional. They believe good times will last forever, or that the recession will never end. Think of the Dotcom mania of 1999/2000, or the financial boom and bust of 2008/09. We try to ignore the market, focus on what an asset is worth, its intrinsic value, and buy it for less than this. If industry insiders or historic precedents, for example prices paid in acquisitions, endorse our valuation we are delighted. We don't try to forecast in a conventional sense; '***forecasts tell you more about the forecaster than the future***' Warren Buffett again, but broadly we believe that intrinsic value predicts where prices will end up.

It's our money too!

This approach sounds easy. It is not. Ignoring current opinion is hard, results aren't guaranteed nor are the superior returns delivered consistently. Yet this approach is behind numerous successful investment partnerships. It is supported by academic studies showing cheap companies and cheap markets provide better returns than expensive companies or markets. And, finally, it is how we invest most of our money.

Yours sincerely,

Dominic Fisher

Founder

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