

Fisher, Philip A. - Common Stocks Uncommon Profits

John Wiley & Sons, First ed 1958, [Equity Investing] Grade ★★★★★

Two things can be said about this book: One, it is a text which will still transform people many years from now. Two, everybody has eaten it, but very few have really tasted it. Warren Buffett has famously said that Chapter 8 of “The Intelligent Investor” completely turned his head around and that without reading it at a young age, nothing else would have been the same. Leaving all other similarities to the dust-bin, the same can be said for me upon reading the third chapter of Fisher’s masterpiece many weekly price-fluctuations ago. At the risk of committing the equivalent of investing *harikiri* (Buffett has, after all, famously said “value and growth are joined at the hip”); the naming of Ben Graham and Philip Fisher as the Father of Value- and Growth Investing respectively, has one obvious advantage: It awards the appropriate weight and honour to the lasting impact of Mr Fisher’s work.

The bulk of the book is devoted to Fisher’s 15 points of investing. This checklist is more commonly known as Scuttlebutts and constitutes the core difference between Fisher and Graham. To buy truly outstanding businesses at not-mouth-watering multiples, you must possess a genuine conviction that it is a business with a long-lasting competitive edge. When Buffett says he is “85% Graham and 15% Fisher”, he is most definitely referring to the mental approach towards investing that Ben Graham stood for (Mr. Market, Margin-of-Safety etc) and the analytical approach towards finding great companies with a durable moat pioneered by Fisher. Buffett has an obvious linkage to Graham. But I have also been struck by the plentiful number of “Buffett wisdom nuggets” that originate from *Common Stocks* (“In the stock market, a good nervous system is even more important than a good head”).

Essentially, Scuttlebutt involves seeking out information about a business from all different kind of angles; talking to management, suppliers, customers and competitors, reading legal

documents, industry publications etc. The main point is really spending time looking beyond the numbers to gain a better understanding of the business. After reading the book numerous times, I am always reminded of the depth and complexity of Fisher’s thoughts. Despite that, it was actually the first ever investment book to make it onto The New York Times bestseller list. Hence, if there is ever a time to demand regular re-reads of a book, it is with this one. Because to me it does not matter how often you just scratch your head thinking “how on earth am I going to find the time or knowledge to gather whether a certain company has the right people in place at the R&D department? What matters to me personally, is striving for being approximately right about the “15 points” in order to understand better what separates the decent organization from the outstanding.

Common Stocks was written in 1958, about a decade after Graham’s *The Intelligent Investor*. The publishing dates of these two books gives credence to the view that stock markets may change but true investing wisdom comes without a due date label. They are arguably the two greatest investment books ever written. Both men had experienced the years of the Great Depression and proposed detailed systems for investors to capture substantial returns while avoiding the pitfalls that can lead to “the only risk there is”: the permanent loss of capital.

As for the quality of the books, the timing of the publications with the reminiscence of The Great Depression fresh in their minds, is of no coincidence, I believe. Out of great despair come greater solutions. So with having narrowly escaped (?) our recent flirtation with Great Depression #2 in 2008-09, we grudgingly have to wait for the real deal to kick in next time around in order to stand a chance of reading the works of any contemporary thinkers worthy of following in the footsteps of Fisher and Graham.

Henrik Andersson, March 30, 2012