



IS TRAIN ON TRACK?

A few years ago when I received an invitation to attend the annual Investec Investment Conference I had a quick look at the list of speakers before deciding whether I would attend. My attention immediately focussed on the bio of Nick Train because it highlighted that he was a big fan of Warren Buffett and it said that he was implementing a similar quality stock, long term, buy and hold strategy in the Finsbury Growth and Income Trust, the Investment Trust that he managed. Naturally enough I decided that I had to go along and listen to him speak.

I have to admit that I came away from the conference with a sense of not being sure what had just hit me! I say that because Nick has his own way of saying things. Some of what he said was music to my ears, in particular his emphasis on buying and holding companies that have unique understandable competitive advantages but the main example he used wasn't a company that I would have automatically defined in that way. The example he used was Burberry and to be honest I struggle to understand why a fashion house becomes famous in the first place and therefore I struggle to understand why it will remain famous into the future. I also struggle to think of Burberry as a typical Warren Buffett type investment. Warren has invested in Fruit of the Loom and Dexter Shoes but these are not the investments that have made him famous!

Despite coming away from that talk not quite sure what I thought, I definitely said to myself that this was somebody I must keep an eye on.

Over the years I have monitored what he owns and what he has bought and boy has he stayed committed to the names he believes in and boy has that strategy worked.



The chart above shows how well Nick has done over the last decade. In fact he has done so well that he is one of the top performing fund managers attracting lots of new money into the funds he manages.

A few months ago I heard that Investec had invited him back to talk at their Cork Investment Conference. Naturally I went along to hear what he had to say. To my surprise he didn't spend most of his time talking about his investments, instead he spent more of his time talking about the most important lessons he has learned in his thirty odd years involved in financial markets. He said that the most important lesson he has learned (and it didn't come naturally to him) was the importance of being an optimist. In fact he went as far as saying that he has NEVER been as optimistic as he is at the moment. Once again I found myself wondering what had just hit me. At a time when many famous investors are saying that they are struggling to find cheap things to buy and Warren Buffett has said he thinks there are very few bargains available, here was Nick Train telling an audience of a couple of hundred people that despite Trump, Brexit, and North Korea, he was as optimistic as he had ever been.

Unfortunately there was no time for questions at the end of the conference so we did not have the opportunity to dig a little deeper and find out exactly what he meant by his comments. My best guess therefore, is that he meant something similar to what I have heard Warren Buffett say, and that is to say that on a twenty or thirty year view the stock market will give you better returns than you can get anywhere else. I presume he didn't mean to imply that markets are really cheap and therefore there is unlikely to be a market correction. He might believe that some of the stocks he owns are incredible bargains but I presume he believes that there are many overvalued shares in the wider market.

If I have interpreted his comments correctly I have to say that he is repeating a theme that I covered in one of my early opinion pieces (Opinion piece 11 way back in August 06) and that is the importance of being optimistic enough to invest in the first place and then remaining optimistic enough to not sell out when there is a crisis. Not long after I wrote that opinion piece I had the opportunity to implement this strategy for myself and my clients during the Lehman financial crisis and luckily our optimism paid off.

In conclusion I think Nick Train is on the right track with his view that in the long run it will pay to be optimistic about investing in the stock market (just don't ask me what it will do in the short term!)

Nick Train



BITCOIN

I'm looking forward to next May because I'm pretty sure somebody at the next Berkshire Hathaway AGM will ask a question about Bitcoin and as much as I'm looking forward to what Warren says, it's the reply of Charlie Munger that tends to be the most direct and is therefore worth its weight in gold (not Bitcoins). I'm predicting that he will call it a crazy mania that will ultimately end in a collapse. Let's see if my prediction is right!!

I wrote the above paragraph before I discovered that Charlie had already given his opinion on Bitcoin. Here is a section of a transcript from a talk he gave:

Scott DeRue: We are gonna turn to a few questions from the audience as we as we start to wrap up. Probably half my questions here are about Bitcoin and cryptocurrency.

Charlie Munger: I can answer those very quickly. I think it's perfectly asinine even pause to think about them. You know it's one thing to think that gold has some marvelous store of value because man has no way of inventing more gold or getting it very easily so it has the advantage of rarity. Believe me man is capable of somehow creating more Bitcoin. They tell you they are not gonna do it but they mean they're not gonna do it unless they want to. That's what they mean when they say they're not going to do it. If you hear their rules (which say) they can't do it. Don't believe them. When there's enough incentive bad things will happen. It's bad people, crazy bubble, bad idea, luring people into the concept of the easy wealth without much insider work. It's the last thing on earth you should think about it and even if it worked would work it would be bad for you because you could try to do it again. It's totally insane and by the way I just laid out a wonderful life lesson for you. Give a whole lot of things a wide berth, they don't exist. Crooks, crazies, egomaniacs. People full of resentment. People full of self-pity. People who feel like victims. There's a whole lot of things that aren't going to work for you. Figure out what they are and avoid them like the plague and one of them is Bitcoin.

As usual Charlie is very blunt but I think he is right so all those people asking me about Bitcoin should just read what Charlie said!