



### TEN YEARS OF FREEDOM

I finished working for Setanta Asset Management on Sep. 28<sup>th</sup> 2004 and not long after that date I started the process that led to the formation of Killeevan Investment Consultants. I have therefore just celebrated ten years of freedom. The freedom to do things the way I think is right and avoid the problems created by working for a small subsidiary of an Irish subsidiary of a quoted Canadian company controlled by another quoted Canadian company controlled by a rich Canadian family! (Setanta was owned by Canada Life, a subsidiary of Great West Life, controlled by Power Corporation and ultimately controlled by Paul Desmarais).

I think anyone that has worked for a big organisation will know what I'm talking about when I refer to the problems of office politics, bureaucracy, bullying, sure the list is endless! I therefore consider myself pretty lucky to be able to work for myself and be able to share some of the knowledge I accumulated over the years with clients and readers of my opinion pieces (on this website and on the Value Investment Institute website: [www.valueinstitute.org](http://www.valueinstitute.org)).

One of the other things I have been able to do with this freedom is to volunteer my time to mentor finance students in a competition known as the CFA Global Investment Research Challenge. In this competition the students analyse an Irish public company and as part of it they get to meet company executives and see relevant stockbroker research.

For the last five years I have therefore met and mentored between four and five of University College Cork's (UCC) finest and brightest. I have to say that it has been a pleasure to do this because they have been a great bunch of young people. (I was pleasantly surprised by how thoughtful one group were when a parcel arrived with a present for my recently born son).

There is one thing however that has surprised me. In the post Lehman era I thought young people would be really cynical about stockbrokers, accountants and the slick presentations given by company executives. I thought they would be more likely to question what they were told. Every year however I have told them that sometimes stockbrokers cannot say anything negative, accountants do not act as policemen and sometimes executives will overstate the positives.

In one way it was nice to see the idealism of youth but on the other hand it was a bit worrying to see that these students didn't dig a bit deeper.

With each group I tried to drop hints that working for the big stockbrokers, accountancy firms and insurance companies might be financially rewarding but they might not be the best places to learn about the greatest investors of all time, the likes of Warren Buffett, Charlie Munger, Marty Whitman, Howard Marks and Bill Ackman (all names that I have covered in various opinion pieces). I tried to point them in the direction of looking for jobs in some of the lesser known financial institutions but by

the time I got to meet them I often found that they were already committed to joining one of the big accountancy firms or investment banks.

One of the positive aspects of modern social networks is that I have kept in touch with a number of the students through “LinkedIn” and I have therefore been able to monitor their move from college into the world of work. I have therefore had to watch with dismay as all of them (without exception) has joined a list of firms that include Deloitte, Ernst & Young, Accenture, JP Morgan, Blackrock, Ulster Bank and ScotiaBank. Not one of them took my hint. Not one of them contacted me to see if I could recommend an alternative. They have all gone into the lion’s den and I just hope they don’t end up eaten alive!

Next year I will be able to give the new group a copy of an article written by Michael Lewis (author of Liar’s Poker and Moneyball). I believe this article is a great description of the reality of these large financial institutions. Here is a section of the article that I think is particularly interesting:

*One moment this herd of graduates of the nation’s best universities are young people -- ambitious yes, but still young people -- with young people’s ideals and hopes to live a meaningful life. The next they are essentially old people, at work gaming ratings companies, and designing securities to fail so they might make a killing off the investors they dupe into buying them, and rigging various markets at the expense of the wider society, and encouraging all sorts of people to do stuff with their capital and their companies that they never should do.*

I highly recommend the full article and it can be found at: <http://www.bloombergtview.com/articles/2014-09-24/occupational-hazards-of-working-on-wall-street>.

My best guess is that next year the UCC graduates will do exactly the same, they will ignore me and Michael Lewis but at least I can say I tried!

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What I have described above with regard to my experience of dealing with University students leads me neatly into a quick discussion on one of the most interesting books I have read. The book I am referring to is “The Black Swan” by Nassim Nicholas Taleb.

I say that there is a link between the book and the earlier part of this opinion piece because Taleb bases so much of his book on his belief that we all need to live life according to a philosophy that he calls “empirical scepticism”. In other words Taleb is saying that one should live life with a healthy disrespect for so called experts (scepticism) and one should always try to look at the evidence provided by real world events (empirical). As I stated above, the students I have met have not learned to live life with “empirical scepticism” because they remain trusting even after much of the evidence suggests that trust is the last thing they should give!

There is far more to Taleb’s book than this philosophy of “sceptical empiricism” but I know that I cannot do it justice by trying to describe it here. All I can say is that I highly recommend it and leave the last word on it to Larry Elliot of the Guardian who

described it as “*a fascinating study of how we are regularly taken for suckers by the unexpected*”.

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Finally I just want to say that ten years ago I hoped that I would be in a position to use the flexibility provided by being my own boss to copy another great investor, Sir John Templeton, by going for regular walks on the great beach I live beside. Sir John regarded his walks as a great way to think and reflect away from the hysteria generated in Wall Street. Well I would like to report that in the last couple of weeks of our “Indian” summer I have had quite a few walks but only time will tell as to whether it inspires great investment ideas.

The Beach at St. Helens Bay, Wexford (on a good day!)

