

THE SINGLE MOST IMPORTANT THING: WHAT I'VE LEARNED IN 25 YEARS

Scott M. Yates, CIM
Portfolio Manager

Raymond James Ltd.
Suite 4100, 525 – 8th Avenue S.W.
Calgary, AB T2P 1G1

T: 403-221-0359
TF: 1-844-459-0359

scott.yates@raymondjames.ca
www.raymondjames.ca/scottyates

As of this February I will have worked in the financial industry for 25 years. Those of you who know me well know that this has been anything but “just another job” for me. After a quarter century I can honestly say that I still absolutely love what I do. As a result of both my professional AND personal interest in all things related to the world of investing, I have read countless investment books, attended dozens of industry conferences and seminars, and completed more courses and exams than I care to remember. Much of this has been done in my own spare time and at my own personal cost. I don't begrudge a minute or a dollar of the time and money spent. These pursuits are *in addition to* all that I've learned as a result of *my direct* industry experience while performing my “day job”.

Of course, this doesn't mean I believe I now somehow know all there is to know about investing. In fact, it often seems like the further along I go in my career, the MORE there is to learn. However, I will give myself a proverbial “pat on the back” for one thing. I've had the wisdom, if I dare say, to know that it behooves me (and most important, YOU, my client) to learn from others. That is why I tend to spend far more time reading books than I do following the financial news or reading economic and market forecasts. According to famous investor Peter Lynch, ***“If you spend more than 13 minutes analyzing economic and market forecasts, you've wasted 10 minutes.”***

Reading a good book allows me to learn in a matter of days, what others have learned over their entire career or lifetime (...THANK YOU Benjamin Graham, Warren Buffett, and many others). There is no need for me – or *any of us* – to “reinvent the wheel”. **The path to investment success has been very well laid out for us. It is simply up to us to have the wisdom – AND the mettle – to follow it.**

This brings me to what I've come to realize as the single most important thing required to be a successful investor. In my original draft for this letter to you, I had a laundry list of investing concepts, principles, strategies, philosophies, and beliefs that I've learned over the past quarter century. I believe ALL of these are pivotal to anyone's investment success. But as I was writing, the most recent stock market correction was occurring (during the last quarter of 2018). I realized then that NONE of the items on my original list really matter at all – IF you do not get this one key tenet of investing right.

In fact, I suggest to you that *nothing* else matters. Stock selection, asset allocation, market timing, forecasts, track records, technical analysis, mutual funds vs. ETFs, and yes – even fees paid (or lack thereof), are all almost completely immaterial when it comes to the achievement of your investing goals – *if not for the adherence to this one key investing principle.*

So here it is, and get ready for a real bombshell here! **The single most important thing I've learned over the past quarter century immersing myself in the world of investing is this: BUY LOW and SELL HIGH!**

Sound familiar? Of course it does. And just as novel and obvious as this might seem to you, I can assure you that – as I've witnessed yet again during the most recent market downturn – *almost* no-one actually does it!

"*Rubbish,*" you might say. "*If this is your best advice – I'm moving on.*" Before you stop reading right here and now, please allow me to ask you just one question: *Are you worried about your investments after they've gone UP a lot, or do you tend to be more worried after they've gone DOWN?*

Here are some general characteristics of stocks after a large advance. They are *expensive*, risk is *higher*, and as such future *near-term* return expectations should be *tempered*. This is the scenario where many investors seem most content to do their buying!? Here is what Benjamin Graham (Warren Buffett's mentor) had to say on the subject, **"A large advance in the stock market is basically a sign for caution and not a reason for confidence."**

Conversely, here are some general characteristics of stocks after a significant market correction or bear market: stocks are *attractively* priced, 'risk' is therefore and by default *lower*, AND as such future return expectations should be much *higher!* *And this is when many so-called investors want to SELL equities!?* In this scenario, Buffett does not mince words; **"Bear markets are where the real money is made – not lost."**

While we all know "*buy low and sell high*" is the **only** rational approach, what I witness time and time again (during EVERY pullback of any significance), is a lot of worry and panic when great businesses have just gone on sale. The real message I hear (again and again), is: "*I LOVED these stocks when their prices were really high. I slept well at night, and continued to gleefully add to my portfolio when priced at a premium. But now that those same stocks are much cheaper, I'm worried. In fact, I feel you may even have done a poor job for me, and I'm seriously considering whether or not I should be giving this portfolio ANY new money.*"

Finally, here's the real classic, "...but I will consider investing again after things have 'settled down' and the outlook has improved." Translation: "*I'm going to stop buying now, while stocks are attractively priced. And then after they are really expensive again, when the guy on the news says the coast is clear, I'd like to back up the truck again and buy like mad!?"*



In all seriousness, the above is often the crux of the message I hear far too often from too many of my clients for my liking. In my opinion, just ONE client who is inclined to buy *high* and sell *low* is too many for me! I want *ALL of you to get this*. Most important, I want all of you to achieve your financial objectives, however YOU define them. I can't see how this is possible for anyone who insists on paying too much at market highs, and then selling out at any price during the inevitable market lows.

Getting back to why I read books, I recently came across the following quote from fellow portfolio manager and investing guru Larry Sarbit; ***“Warren Buffett, Charlie Munger, and Benjamin Graham have figured prominently in our investment style. If you're going to copy someone's behaviour and philosophy, you should pick one that has worked.”***

If the key to achieving your long term investment goals involves making money in the stock market, why wouldn't we learn from those who have already done so? In fact, by adhering to the wisdom of the likes of Buffett, Munger, and Graham, we're following the wisdom of those who have been very successful at it. Here is more of what they have had to say...

***“Look at market fluctuations as your friend rather than your enemy;
profit from folly rather than participate in it.”***

– Warren Buffett

***“Most people are too fretful, they worry too much.
Success means being very patient, but aggressive when it's time.”***

– Charlie Munger

“The intelligent investor is a realist who sells to optimists and buys from pessimists.”

– Benjamin Graham

In summation, please keep in mind that every bear market is followed by a bull market. And every recession is followed by a period of economic expansion. There are two sides to every trade. Who would you rather be when great businesses are temporarily on sale, the buyer or the seller?

And finally, let's not forget the key lesson to be learned from the 2008 global financial crisis. What the media deemed a crisis (and this is in no way an attempt to belittle its significance) turned out, in due course, to be the *buying opportunity of a lifetime*.

Thankfully, many of you have indeed copied the wisdom of the world's greatest investors as mentioned above. You've displayed the investing savvy to see the most recent market correction for what it really is (or was...), yet another buying opportunity. You're among the few who don't just say *'buy low and sell high'*; you are actually doing it. *You know who you are, and you've already “won” as an investor in my opinion.*

Buy low, sell high. When it comes to achieving investment success, almost nothing else matters.

RAYMOND JAMES®