

Investing Against the Tide – Lessons from a Life Running Money
Anthony Bolton, FT Prentice Hall, 220 pages, RRP £14.99.

Anthony Bolton is widely regarded as one of the UK's best fund managers, delivering an outstanding investment record over a 25-year period at the Fidelity Special Situations Fund until his retirement in 2007.

This clearly-written book records his determinedly value and contrarian approach to investment. The longest and most useful part (“Principles and practices from a life running money”) covers his approach to stock picking and portfolio management. Chapters deal with what to look for in a business (“how sustainable is its franchise?”) and in management (detailed knowledge of their business and “skin in the game”), investment sentiment and valuation – with his objective being to buy shares valued anomalously by the market and then to wait for the anomalies to be corrected. To this end “every stock you own should have an investment thesis”, and for his portfolio of anomalies he would retest the thesis and his conviction levels for each holding on a regular basis. With high conviction levels and low valuations he was prepared to be patient.

Whilst some information and screens open to the manager of a large fund (such as meeting company management) may not be available to the private investor, his happiest hunting ground for mis-valued investments were small and medium sized companies, and this will strike a chord with many private investors as their own investment edge. Focus on such investments also helped performance since they are more likely to be takeover targets (this became a feature of his investing in later years, given the sizeable positions Fidelity could build up in some companies). Whilst at heart a fundamentalist, he also used technical analysis - to get a feel for what was already in a share price, to test and challenge his fundamental analysis and to force him to cut losers and run winners, noting that the combination of the two approaches worked better than just one on its own (this reader's experience).

An interesting chapter focuses on what makes for a good portfolio manager, a theme that also runs throughout the book. In addition to an “eye”, and organisation and analysis, he emphasises the need for a calm temperament and the need for “flexible conviction” - the ability to keep an open mind and to change views if the evidence changes (he notes that 40 per cent of decisions are likely to be wrong, and that performance requires the avoidance of losers). (I once went to a well-attended AGM of the Fidelity Special Situations trust at which Bolton presented his investment views, and he came across as calmly as an airline pilot. Peter Lynch in a foreword to the book describes him as “passionately unflappable, intensely calm”, and in other circumstances Bolton gained the sobriquet “the quiet assassin”). A further quality is to be an independent thinker, happy to go against the crowd, whilst avoiding pig-headedness and overconfidence. The second and shorter part of the book (“Experiences and reflections from a life running money”) contains a number of perhaps tellingly undramatic war stories.

I liked the book. There are some negatives – it feels over-designed and the content a bit stretched, with a fair amount of white space and some very short chapters, and one or two of the aphorisms at the start of each chapter seem a bit trite to this reader. But there are hosts of good quotes from other well-known investors (Buffett, Graham, Lynch, Keynes, Templeton, Grantham etc) which add colour. And whilst the book is aimed at his fellow fund managers, most private investors will pick up lots of experience or useful reminders that make the book itself a good investment.

Jeremy Prescott

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