



THE MONEY MASTERS BY JOHN TRAIN

**NINE GREAT INVESTORS:
THEIR WINNING
STRATEGIES AND HOW YOU
CAN APPLY THEM**

**"THE BEST BOOK IN THE
INVESTMENT FIELD THAT I HAVE
READ IN YEARS"—PAUL E. ERDMAN,
*THE NEW YORK TIMES BOOK REVIEW***



PENGUIN BOOKS
THE MONEY MASTERS

John Train is a highly successful New York investment counselor and the author of *Dance of the Money Bees*. He writes the regular "Financial Strategy" page in *Forbes* magazine, and he has had articles published in *Financial World*, *Reader's Digest*, and other publications. Mr. Train is also the author of *Remarkable Names*, *Remarkable Occurrences*, and *Even More Remarkable Names*.

The Money Masters

BY

JOHN TRAIN



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To Virginia Hilu

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Foreword

I should reveal at the outset that in addition to being a client of John Train's firm I am his cousin, and so perhaps not a completely disinterested commentator.

Still, I can attest that he picks winners. The investment pool which his firm maintains and of which I am a part has more than tripled since the beginning of 1975, compared to a rise in the Dow Jones Industrial Average of less than 50 percent.

Further, *The Money Masters* is the most illuminating book I have ever read on how money is really made (and lost) in the stock market. It is also fun to read as well as profitable.

CLAIBORNE PELL

Introduction

I have always liked to develop relationships with great investment managers. In the 1950s I went to work for and indeed became a client of Imrie de Vegh, whose fund had the best of all performance records in that decade. Some time later, when his company was about one-tenth as large as it would eventually become, I got to know T. Rowe Price and put money under his management, as I did with A. W. Jones and several other highly successful investors. I also sought out some Europeans whose names would be less familiar to American readers.

I intended this book to be a voyage of exploration through the ideas and practices of the most notable portfolio investors of today—not famous administrators of large amounts of capital, who are primarily executives and only rarely great individual investors, but men whose own decisions to buy and sell have actually made money grow. How do they think? What sources of information do they use? How much do they depend on fact and how much on psychology? What criteria do they apply in picking investments? And of course, why do they like the stocks they're buying now?

My subjects were chosen to represent the principal schools of investing, among them "growth," "value," "technology," "specialties," and the "gut operator."

At the outset I expected to find collisions among those who

use different market approaches: the technician, who studies the market itself, as against the security analyst, who studies companies; the trader, as against the long-term investor; the operator who tries to buy and sell anticipating market trends, as against the fundamentalist, who trusts that the facts will win out in the end; the innovative investor who "discovers" new high-growth companies, as against the old-timer who likes to buy dull, familiar ones at a discount. I assumed that each highly successful investor would have his individual methods, and that the contrasts among them would provide the drama of the book.

In the end, to my surprise, I found that this was generally not so among the really successful.

I became satisfied that many of the types of investor one hears about or reads descriptions of turn out not to exist, or to be so rare or short-lived that they don't count.

For instance, none of the great investors I talked to has ever known a market "technician" who actually made money over the long term; none has ever come across more than perhaps one short-term trader who made money steadily; and I think one can probably say that no manager of a large portfolio has done consistently well by discovering new, exciting companies. These notions are the El Dorados of the marketplace, perpetual motion machines and miracle-working relics, good only for extracting money from the innocent.

On the contrary, a clear common thread emerged from my analysis of these great investors' techniques: in very different idioms they all say much the same thing. There are basically two ways of looking at the job: either as an exercise in cautious futurology—peering into the fog a little farther than the crowd—or as laboratory analysis—studying what's under the microscope right now. The reader is invited to join me in my voyage of exploration, and then at the end, in "Conclusions," we can examine what we have found out.

I might say that there's no luck to professional portfolio investing. It is a craft, involving thousands of decisions a year. You can no more pile up a superlative record by luck or accident