

12 books for serious investors

21/1/2019 | Emanuel Datt, Datt Capital

I explicitly began my investing education by reading what is considered the bible to value investors: Security Analysis by Benjamin Graham. To be honest, I couldn't and still haven't finished the book as I found it fairly dry and uninspiring; especially for a young, new investor. Thankfully, there are a whole universe of books out there, and I list a number of books I found have useful in my investing education.

1) Am I being too subtle – Sam Zell

Sam Zell is a self-made billionaire, who earned his fortune primarily via real estate. His blunt, spare and contrarian style makes for a refreshing read; the title is a question he often asks himself which reflects his personality. The book is filled with business wisdom, covering a wide range of time eras, industries, personalities, successes and failures. Themes covered comprehensively are real estate investment, controlling risk and value investing.

2) Dead companies walking – Scott Fearon

This book is mandatory reading for our investment team. Written by an investment manager it focuses primarily on why, when and how companies fail. By learning the warning signs, and avoiding an investment in a company which may fail; readers learn a great deal about becoming a much better investor. Chock full of practical advice and wisdom, major themes include the psychology of investing, the role of cognitive bias in business and the importance of time horizons.

3) King Icahn – Mark Stevens

This book provides an insight into the personality, mindset and business philosophy of Carl Icahn, one of the greatest investors of our era. It covers the early part of his career comprehensively, and provides a great overview of 1980's corporate America from the perspective of a corporate raider or activist. In particular, the book articulates how much value can often be overlooked by passive shareholders and how it can be released by a well motivated and funded activist.

4) Metal Men – Craig Copetas

An intriguing book about the hard and fast world of commodity trading; and the ascent of Marc Rich who founded the world's largest commodity trading company today, Glencore. The physical mechanics of commodity trading are fascinating; encompassing a multitude of different aspects such as financial, geopolitical and logistical. Major themes broached are the mechanics of physical commodity trading, risk management and the effects of the geo-political environment on trade flows and commodity prices.

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5) 100 Baggers – Chris Mayer

This book examines the investor's holy grail of the 100 bagger or making 100 times your money invested on a stock; it is an update on a book on the same subject written in the 1970's. The beauty in this book is the breadth of the content, as the author examines a multitude of historical examples and the various elements that led to their 100 bagger status. We learn very quickly there is no 'magic bullet' for obtaining outsized returns, but there are a number of factors that can increase our probability of investing in one of these companies. Major themes are the impact of compounding returns over longer time frames, evaluating the quality of a company and how to maintain a long term perspective on your investments.

6) The Most Important Thing – Howard Marks

Howard Marks is an investor well known for co-founding Oaktree Capital, a value orientated asset manager. This book is effectively a compilation of writings on various aspects of investing from the perspective of a value investor. Whilst a little repetitive, it hammers home a number of factors that any serious investor should consider when making any investment. Major themes are the thought process behind investing 'defensively', understanding and managing risk and expectations.

7) Margin of Safety – Seth Klarman

Written by Seth Klarman, a highly respected investment manager, this is one of the most sought after investment books. The book is divided into 3 sections encompassing: where and how investors typically make mistakes, an overview of a value investing philosophy primarily focused on risk mitigation and finally a number of case studies and discussion on portfolio management. This book has a lot of value for anyone regardless of your investment experience or methodology.

8) My own story – Bernard Baruch

The author was a well known financier in the early 20th century before becoming a statesman. This is a classic account of the economic change in the US as experienced through the lens of a successful stock market investor. Baruch's humility and wisdom shine through this book, which is filled with many practical examples and lessons on life and the markets amplified by his obvious gift for story telling. In particular, I found his lessons and recounting of periods of desperate economic times to be enlightening.

9) Education of a Speculator – Victor Niederhoffer

This is a wild account of the author's life and investment principles. This is a difficult read, it is clear the author is brilliant but also deeply flawed. There are many valuable nuggets to be extracted by a patient reader, such as the necessity to perform your own analysis of opportunities regardless of the 'commonly held' or market knowledge. Major themes include the necessity of risk management, probabilistic investing and embracing randomness. The author's honesty and candidness is refreshing throughout, although a lot of biographical elements can be skipped over.

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10) What works on Wall Street – James O’Shaughnessy

This book is effectively a statistical study of the historical returns achieved by various investing strategies. The real value in this book is educating the reader on various methods or factors which may contribute to an investment return; which provides a lot of food for thought for the reader in formulating their own investment methodologies.

11) The investment checklist – Michael Shearn

This book focuses on evaluating a company using fundamentals. This is quite a dense book and covers a lot of ground; I particularly found the author’s focus on management useful which is often overlooked in investment books. In addition, the emphasis on utilising investment checklists in the decision making process I think is especially important to ensure consistency in the investment process.

12) The Art of Speculation – Phillip Carret

Phillip Carret ran one of the first investment funds in the US, the Pioneer Fund, for 55 years starting from 1928. He was idolised by a young Warren Buffet and had a great long term record over a long time period. The book covers a lot of ground: market cycles, technical vs fundamental factors and security analysis to mention a few topics. Even though the examples are now dated, the concepts are all sound and still very relevant to today’s markets

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