

Graham, Benjamin (with commentary by Jason Zweig) - **The Intelligent Investor**

Harper Collins, 2003 (updated version of 4th edition from 1973), [Equity Investing] Grade ★★★★★

When Benjamin Graham (for a further presentation see my review of his bible Security Analysis) was in his late 50's (1949) he wrote the Intelligent Investor. The purpose of this book was to present his ideas for laymen, with less of technical details and more on investment principles and investor attitudes. Warren Buffett read this book when he was 19 (today he is 80+), at that point he thought it was by far the best book about investing ever written. He still does so.

Jason Zweig (senior editor at Forbes Magazine, Money magazine, Time etc.) first read the book in 1987, and also thought it was the best book ever and decided to update it to current (2003) standards. He has chosen a brilliant format, keeping the original, and then commenting on each chapter, making it easy to compare and contrast the history with more recent experiences, even though I think the book is worthy of more references to recent events, rather than the extreme events surrounding the tech bubble of the early 2000s.

The first chapters discuss what can be learnt from the history of investing. Then comes chapter 8, "the investor and market fluctuations" which is one of two of Mr Buffett's top picks (I am not going to argue with him). Read that together with the final chapter "margin of safety", Mr Buffett's second pick, and then you basically don't have to read anything else. Those two chapters wrap everything up very efficiently, and everything that Graham/Buffett disciples speak about. The rest of the book, i.e 9-19 contains a lot of examples to his theories, in a much easier format than "Security Analysis."

The form of the book with Mr Zweig commenting can sometimes be a bit difficult, but

in some cases it also makes things clearer, even though it's a bit tiresome to read about the dotcom bubble multiple times as an example. Still, Mr Zweig not only comments on each chapter in his own parts, but also comments continuously in Mr Grahams chapters with very long notes, which gives a lot of extra value.

The Intelligent Investor has some of the best timeless investment wisdom. Invest with margin of safety. Use the bipolar nature of Mr Market, and buy at depressed prices. The investors' interest lies in acquiring and holding securities at cheap prices. But what sounds so simple is actually difficult in practice. I think Mr Buffett sums it up best, "*if you follow the advice in chapter 8 and 20, you will do great, but that represents more of a challenge than you might think*".

This book is a must read, and its basic message has been repeated over and over by a number of very successful investors. Mr Graham was a child of the depression, Mr Buffett is a child of the post WW2 bull market, each time will always have its master. Whoever will master the following decades, I am sure, still has a lot to learn from Buffett and Graham.

On a final note – this book has a great appendix, starting with "the Superinvestors of Graham-and-Doddsville", which is a transcript of speech by Mr Buffett in 1984. With this text he wanted to show that, contrary to academic research which assumed that the market was efficient, there was a lot of money to be made using what Benjamin Grahams taught. He looks at the performance of four people who worked for the Graham-Newham Corporation 1954-1956. They were Walter Schloss, Tom Knapp (Tweedy Browne), Bill Ruane (Sequoia fund) and himself. They have all had fantastic performance.

Bo Börtemark, May 14, 2012