# Psst! Wanna Be a Billionaire? Read On

## Description

***Take Stock** is the Motley Fool Canada's **free** investing newsletter and is distributed weekly. This edition was sent to our followers yesterday. To have future editions delivered directly to you, simply **click here now**.*



Dear Fellow Fools,

Today's Take Stock comes on the heels of the annual CFA Institute Equity Research and Valuation Conference, which I attended late last week in Boston.

Continuing education is a wonderful component of the investment industry and last week's proceedings certainly fit the bill.

Before we jump into some highlights, allow me to provide a bit of a background into the CFA Institute (in case any you've seen the letters behind a person's name but not really known what they stand for!).

CFA stands for Chartered Financial Analyst. In order to attain this designation, individuals have to pass through three levels by clearing a day-long exam for each. The exams are administered once a year (two times per year for Level 1) and I can wholeheartedly vouch that they are 100% awful. There is a huge volume of material to cover and not being one to have ever been very good with exams, I had the privilege of actually sitting for five exams before I made it through (darn Level 3).

No matter how awful the path to achieving the designation is, the organization's message is pure. The Institute "believes strongly in the value of continuing education to better serve your clients"—that's a message to get behind.

**On the shoulders of giants**

One of the most valuable ways to continue one's education is to learn from the greats. Last week, conference attendees had the privilege of doing just that.

One of my favourite investors to hear from is Howard Marks. I'm an avid reader of his memos, and his book, *The Most Important Thing*, is among the best I've ever read. It was Marks' name on the speaker list that really spurred me to make this journey from Ontario.

Though Marks' PowerPoint skills may need some refinement (or not—the man's net worth is a reported $1.85 billion), he certainly delivers a message that strikes a chord with this Fool.

The other great investor that resonated was Charles Brandes. He didn't even bother with a PowerPoint, but was also able to deliver a crystal-clear message.

These messages resonated in part because they are right in line with the philosophy we try to implement within our members-only *Stock Advisor Canada* service here at Motley Fool Canada. The key word being *try* as at this point, we by no means have the pedigree of these two investors.

You see, these billionaires are *investors* (not traders, not speculators) and that's exactly the message we push in *Stock Advisor Canada*. And to be an investor, you have to understand that things don't always work out as planned, which was an underlying theme throughout Marks' discussion.

Marks reiterated that the world is filled with uncertainty and randomness and that the future is entirely unknowable. In this context, as investors, we need to make the best decisions we possibly can; the great ones come out ahead by making more money on their winners than they lose on the losers. Yes, Fool, even the greats have losers. Nobody carries an unblemished scorecard in this game.



**The truth**

To accomplish this feat—that is, come out ahead and beat the herd—both investors had a very similar message.

*Think differently.*

As Brandes said, "You have to think differently than everyone else if you want to perform differently than everyone else."

In our opinion, and Brandes stated this explicitly as well (it was implied by Marks), one of the best ways to think differently is to **expand your time horizon**.

Most of the investing world thinks in the short term. What is stock XYZ going to do today and what am I going to do about it? We Fools, and the billionaires that were on stage at the CFA conference, couldn't care less about the short term because it's unknowable. Why spend even a wink thinking about a seemingly random event?

When we make our recommendations to members, they are made with the idea that we will maintain that recommendation for the next five years—preferably longer. In a world where the average holding period for a stock is measured in months, not years, this is very different thinking.

We Fools recommend investing in *businesses*, not stocks, and it takes time for a business to develop and evolve as we think it might. In the short term, anything can happen. In the long term, great businesses tend to shine through.

**That’s not the only way**

Another unconventional philosophy that we share with these men:

*Take advantage of volatility*.

Brandes was entirely exasperated by the fact that his institutional clients (aka “the smart money”) wholeheartedly believe that risk equals short-term volatility. In Brandes’ mind, and this too was implied in Marks’ talk, nothing could be further from the truth. To both men, short-term volatility means *opportunity*, not risk—another entirely unconventional way of thinking.

**The bottom line**

Lengthen your time horizon and get excited about short-term volatility. That’s all there is to it?

Not so fast.

As Marks made clear, everything we do as investors in an attempt to outperform will expose us equally to the possibility of underperforming. The thing about thinking unconventionally is that you can appear very right at some points, and very wrong at others. Both men discussed their experiences of being very wrong, and this can be difficult.



We make no bones about this to our *Stock Advisor Canada* members. We are absolutely going to be wrong. However, the Fool’s business-first, long-term philosophy has slaughtered the market in our U.S.-based services and we think it’s going to hold us in good stead with our Canadian service as well.

Foolishly yours,

Iain Butler, CFA

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**CATEGORY**

1. Investing

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**Date**
2025/06/27
**Date Created**
2014/11/25
**Author**
tmfohcanada