

## Random Thoughts on Investing

"Until corporate management desists in retaliating against analysts and their firms for issuing negative opinions on the attractiveness of the company's securities, analysts and investors will be disadvantaged."  
*Statement of Thomas A. Bowman, CFA, Pres. & CFO of The Association for Investment Management and Research for the United State Senate Committee on Governmental Affairs, 2/27/02*

"After twenty years of watching investment practitioners dance around the fire shaking their feathered sticks, I observe that far too many of their patients die and that the turnover of medicine men is rather high. There must be a better way."  
*John C. Bogle, Sr., Former Chairman & Founder, The Vanguard Group*

"People exaggerate their own skills. They are overoptimistic about their prospects and overconfident about their guesses, including which [investment] managers to pick."  
*Professor Richard Thaler, University of Chicago*

"Most stock funds fail to beat the market. Yet a lot of folks are still mighty confident they can pick the winners. A tad delusional? Could be." Jonathan Clements, Columnist, Wall Street Journal

"The problem with predictable patterns of stock returns is that they aren't dependable all the time."  
*Burton G. Malkiel, Finance Professor & Author of classic "A Random Walk Down Wall Street"*

"Individuals aren't as bad at picking stocks as many people think. They're worse."  
*Terrance Odean, Professor of Finance*

"The investor's chief problem -and even his worst enemy - is likely to be himself".  
*Graham, Benjamin, (1894-1974) Legendary American Investor, Scholar, Teacher and Co-author of the 1934 classic, "Security Analysis"*

"It is not easy to get rich in Las Vegas, at Churchill Downs or at the local Merrill Lynch office."  
*Paul A. Samuelson, Massachusetts Institute of Technology. Economist, Nobel Laureate in Economics*

"One can resist the invasion of armies, but not the invasion of ideas."  
*Victor Hugo, French Poet (1802-1885)*

"If there's 10,000 people looking at the stocks and trying to pick winners, one in 10,000 is going to score, by chance alone, a great coup, and that's all that's going on. It's a game, it's a chance operation, and peoples think they are doing something purposeful...but they're really not."  
*Miller, Merton, Nobel Laureate and Professor of Economics, Univ. of Chicago*

"The difference between luck and skill is seldom apparent at first glance."

*Peter L. Bernstein*

"Probably the question heard most frequently is: "How high can stocks go?" To the unsophisticated observer there appears to be no maximum price."

*Financial Journalist*

"The only new thing in the world is the history you don't know."

*Harry S. Truman*

"Buy on the cannons, sell on the trumpets." Old French Proverb

*Anthony M. Gallea, William Patalon III*

"The only way to beat the market is to exploit other investors' mistakes."

*Charles Ellis, "Winning the Loser's Game"*

"Value criteria act like a chaperone at a party making sure you don't fall for some sexy stock with a great story."

*James O'Shaughnessy, "What Works on Wall Street"*

"Do you know what investing for the long run but listening to market news every day is like? It's like a man walking up a big hill with a yo-yo and keeping his eye fixed on the yo-yo instead of the hill."

*Alan Abelson*

"It ain't what a man don't know as makes him a fool, but what he does know as ain't so."

*Josh Billings*

"The beginning is the most important part of the work."

*Plata*

"A rising tide lifts all boats. It's not until the tide goes out that you realize who's swimming naked."

*Warren Buffett*

"Whom the gods wish to destroy they first call promising."

*Cyril Connolly, Critic and Novelist*

"My grandfather told me you make more information selling information than you do following it. So let that be a warning."

*Malcolm ("Steve") Forbes, Jr., Publisher and Presidential Candidate*

"The longer I've been in this business, the more I realize that investors really are lemmings."

*Tom Maguire, "Life in the Fast Lane," Smart Money*

"We must always think about things, and we must think about things as they are, not as they are said to be."  
*George Bernard Shaw, Playwright*

"The more people who believe something, the more apt it is to be wrong. The person who's right often has to stand alone."  
*Soren Kierkegaard, Danish Philosopher*

"In my opinion, there's nothing new under the sun in the financial world - only different people doing the same things."  
*Ray DeVoe*

"Asked how he would teach business students: For the final exam, I would take an Internet company and say, "How much is this worth? And anybody that gave me an answer I would flunk."  
*Warren Buffett*

"Don't just do something, stand there!"  
*Charles Ellis, "Winning the Loser's Game"*

"The one absolute requirement of a money manager is emotional maturity. If you don't know who you are, the stock market is an expensive place to find out."  
*Adam Smith, Political Economist*

"Just making money is not enough any more. Now we have to worry about our money making money."  
*Woody Allen, American Filmmaker*

"Investment managers are hyper kinetic; their behavior during trading hours makes whirling dervishes appear sedated by comparison. Indeed, the term "institutional investors" is becoming one of those self-contradictions called an oxymoron."  
*Warren Buffett, American investor*

"There are no answers in this business. There's just a hell of a lot of information."  
*George Russell, Jr.*

"Stocks don't really know who owns them and they don't care."  
*Alan Greenberg, Bear, Stearns & Co.*

"One of my favorite sayings is that a sick portfolio is like a sidewalk burn: If you keep picking at it, it will never heal."  
*Robert Kirby, Investment Manager, Capital Guardian Trust Co.*

"Statistics show that investing your money in the stock market is nearly twice as secure as feeding it to otters."

*Dave Berry, Columnist*

"If you sit down at a poker table and can't spot the sucker, get up ...it's you."

*Arnold S. Wood, Investment Manager, Martingale Asset Management*

"Many a man or woman who would not expect to be successful as a circus clown, opera singer, or grocer, without some kind of preparation or talent, nevertheless expects to be successful right off in the stock market - probably the most intricate and difficult game on earth. The reason for this faith in success without any special qualification is doubtless the most universal belief in luck."

*Fred Kelley, "Why You Win and Lose"*

"When, against one's will, one is high pressured into making a hurried decision, the best answer is always "No," because "No" is more easily changed to "Yes," than "Yes" is changed to "No."

*Charles E. Nielson*

"People trade for both cognitive and emotional reasons. They trade because they think they have information when they have nothing but noise, and they trade because trading can bring the joy of pride. Trading brings pride when decisions turn out well, but it brings regret when decisions do not turn out well. Investors try to avoid the pain of regret by avoiding the realization of losses, employing investment advisors as scapegoats, and avoiding stocks of companies with low reputations.

*Meir Statman, Investor and Writer*

"Having a quote machine on your desk is like having a slot machine there."

*Ed Seykota*

"I can calculate the motions of heavenly bodies, but not the madness of people. (In early 1720, just before the South Sea Bubble.)"

*Isaac Newton, English Physicist*

"History teaches us that investors behave wisely... once they have exhausted all other alternatives."

*Steve Leuthold, investment manager, The Leuthold Group*

"Most people know that there is no such thing as luck, but it is difficult to find anyone who does not believe in it."

*Raoul de Sales*

"Only two things are infinite, the universe and human stupidity, and I'm not sure about the former."

*Albert Einstein, German-American Scientist*

"The results of studying 66,100 consensus estimates of Wall Street analysts from 1974 to 1991:

- Consensus forecasts, revised as recently as two weeks prior to the end of the subject quarter...deviate significantly and consistently from actual earnings.
- Even on a volatility-adjusted basis, analysts err indiscriminately across industries.
- On average, large earnings surprises are the rule rather than the exception.
- Analysts, money managers, and investors appear to ignore the industry's poor forecasting record, although it questions the viability of many important stock valuation methods."

*David Dreman and Michael A. Berry, "Analyst Forecasting Errors and Their Implications for Security Analysis," Financial Analysts Journal.*