

Before I close, I would like to share something I learned about investing over 30 years ago, early on in my career, from the chairman's letter in the 1987 annual report of the then little-known firm that remains quoted on the US stock market today, and is now a very well-known and large firm. It follows on from a principal that my father told me about buying quality – he used to save up to buy Double Two shirts rather than compromise on quality and buy cheap ones. On a visit to meet a stockbroker in the London Stock Exchange, when a teenager on a cold day without a coat, he encouraged me to buy a Burberry raincoat which probably was about 70% of my then net worth over 40 years ago and it is here in front of me now actually, looking not far off as good as new, and the same applies to businesses and buying quality, but the market doesn't always agree. I believe we have to be really careful about letting extreme market movements affect our investment psychology.

Allow me to read an extract from that chairman's letter: "Ben Graham, my friend and teacher, long ago described the mental attitude towards market fluctuations that I believe to be most conducive to investment success. He said that you should imagine market quotations as coming from a remarkably accommodating fellow named Mr. Market. Without fail, he will appear daily and names a price at which he will either buy or sell depending on whether he's feeling euphoric or otherwise. At times when he does feel euphoric and names a very high buy-sell price because he fears that you will snap up his interest and rob him of imminent gains. At other times, he can see nothing but trouble ahead for both the business and the world. On these occasions, he will name a very low price, since he is terrified that you will unload your interest on him. Mr. Market has another endearing characteristic; he doesn't mind being ignored. If his quotation is uninteresting to you today, he will be back with you to buy with a new one tomorrow. Transactions are strictly at your option. But, like Cinderella at the ball, you must heed one warning or everything will turn into pumpkins and mice; Mr. Market is there to serve you, not to guide you. It is his pocketbook, not his wisdom, that you will find most useful. If he shows up some day in a particularly foolish mood, you are free to either ignore him or take advantage of him, but it will be disastrous if you fall under his influence. Indeed, if you aren't certain that you understand and can value your business far better than Mr. Market, you don't belong in the game".

Ben's Mr. Market allegory may seem out of date in today's investment world, in which most talk of efficient markets, dynamic hedging and betas. Their interest in such matters is understandable since techniques shrouded in mystery clearly have value to the purveyor of investment advice. After all, what witch doctor has ever achieved fame or fortune by simply advising take two aspirins.

The value of marketing esoterica for the consumer of investment advice is a different story. In my opinion, investment success will not be produced by arcane formulae, computer programs or signals flashed by the price behaviour of stocks and markets. Rather, an investor will succeed by coupling good business judgment with an ability to insulate his thoughts and behaviour from the super contagious emotions that swirl about the marketplace. In my efforts to stay insulated, I have found it helpful to keep Ben's Mr. Market concept firmly in mind and let the business quality do the talking.

Following Ben's teachings, we let our marketable equities tell us by their operating results, not by their daily or even yearly price quotations – whether our investments are successful. The market may ignore business success for a while, but eventually will confirm it. As Ben said, “in the short run, the market is a voting machine but in the long run it is a weighing machine”. The speed at which a business's success is recognised, furthermore, is not that important as long as the company's intrinsic value is increasing at a satisfactory rate. In fact, delayed recognition can be an advantage, it may give us a chance to buy more of a good thing at a bargain price. Of course, this concept can be applied outside of stock markets as well.

We, at London Wall Partners, are seeking to work with fund managers who adopt this long-term approach, have the ability to ignore the market when they need to do so and value businesses well. This particular Chairman, who is acclaimed to be one of the world's most successful investors over three quarters of a century also said that he would rather pay a fair price for a good business than a cheap price for a poor one. These are principles that I've followed personally and professionally and we at London Wall Partners will continue to do so on your behalf as well as ourselves. Also, in doing this, I'm heartened that good investing and hopefully producing good returns over the years is helpful to society in so many ways whether it be paying taxes to help fund the NHS, making charitable contributions to redirect tax into needy areas (as the footballers have just done), or investing in businesses that employ people and provide products and services that meet our everyday essential needs. Business is and can do good, especially when recognising the environmental, social and governance needs of society, which I'm pleased to say our portfolios do.