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Investing for a
world of change

How the world's greatest investors win in markets and life: Lessons from the travels of William Green



William Green
Author of 'Richer, Wiser, Happier'

The investment world can seem complex and overwhelming, but the principles that underpin success are surprisingly straightforward. William Green, author of 'Richer, Wiser, Happier,' recently shared valuable insights drawn from extensive conversations with legendary investors, revealing how these principles can be applied to both investing and life.

Lesson 1: Avoiding mistakes

One of Green's foundational lessons, inspired by Charlie Munger (former Vice Chairman of Berkshire Hathaway), revolves around avoiding common mistakes. So, rather than focusing solely on finding winning strategies, successful investors actively identify and avoid predictable errors. By working backwards, 'invert, always invert,' in Munger's own words, they pinpoint what could go wrong and steer clear. Practical steps include avoiding speculative predictions about market movements or interest rates and steering clear of leveraged investments.

Green emphasises the relevance of this approach beyond just investing. For instance, avoiding high-risk behaviours with limited upside, such as cheating or reckless driving, protects one's broader life goals. This strategy provides a clear framework for decision-making, helping investors and individuals alike to mitigate significant risks.

Lesson 2: The power of simplicity

Simplicity emerges repeatedly as a key advantage among the greatest investors. Joel Greenblatt (Gotham Asset Management), a highly successful value investor, summarised his approach succinctly: “Figure out what something is worth and pay a lot less.” This principle encapsulates the essence of value investing: buying assets at prices substantially lower than their intrinsic worth.

Green argues that simplicity in investing, and indeed life, provides clarity amid confusion. Keeping investment strategies uncomplicated, such as focusing on quality businesses and holding them long-term, guards against distractions and short-term temptations. This discipline of simplicity proves invaluable, allowing investors to remain consistent and disciplined through volatile markets.

Lesson 3: Compounding small gains

Consistent, incremental improvement underpins the success of many top investors. Take Tom Gayner, CEO of Markel Corporation, who advocates for the ‘aggregation of marginal gains,’ the idea that small, consistent improvements compound significantly over time. This principle is not confined to investing alone; it can equally enhance personal habits such as health, productivity, and relationships.

By consistently improving in small increments, whether refining investment decisions or enhancing lifestyle habits – the cumulative effect becomes substantial over time. Green highlights how this strategy, by fostering steady progress, ultimately yields impressive long-term results.

Lesson 4: Relationships and long-term success

According to Green, investing success often correlates closely with the quality of one’s personal relationships. Ed Thorp (Math professor and pioneer of quantitative trading) emphasised the importance of relationships as central to life’s success. He noted that those who focus solely on wealth accumulation often overlook the essential value of meaningful personal connections, resulting in regret despite financial prosperity.

Green points to Charlie Munger’s simple yet profound advice: to have good relationships, you must first be a good partner, colleague, or friend. This principle highlights the interconnectedness of professional success and personal satisfaction. Indeed, genuine, supportive relationships form the cornerstone of a rich and fulfilling life, far beyond financial measures alone.

Lesson 5: Reducing complexity

Another valuable insight from Green's research is the benefit of deliberately reducing complexity in one's life and investments. Notably successful investors like Bill Miller (who beat the S&P 500 Index for 15 consecutive years) actively remove unnecessary distractions from their routines, allowing greater focus on what truly matters – studying investments and making informed decisions. By eliminating unnecessary obligations and simplifying day-to-day operations, investors can enhance their focus and efficiency, thus positioning themselves for greater long-term success.

Practical application and ongoing discipline

Green concludes by stressing the importance of practical application and ongoing discipline. Regularly revisiting these core principles can serve as a compass for individuals and investors alike in navigating uncertainty and volatility in everyday life and the world of investing:

- Avoiding mistakes,
- Embracing simplicity,
- Compounding incremental improvements,
- Valuing relationships,
- Reducing complexity.

Ultimately, Green's insights from the world's most successful investors underscore a vital point: true investment wisdom is less about complicated strategies and more about cultivating disciplined, clear-thinking habits. By adopting these simple yet powerful principles, investors can not only enhance their financial outcomes but also enrich their broader life experiences – achieving a balance of wealth and happiness.

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