

HELSINKI CAPITAL PARTNERS

**MEMORANDUM**

To: our clients  
From: Helsinki Capital Partners  
Subject: investment quotes

Background:

*“If I have seen further it is by standing on the shoulders of giants.”*

This famous quote is traditionally attributed to Sir Isaac Newton in his 5.2.1676 letter to Robert Hooke, although the original phrase itself probably originates from the 12<sup>th</sup> century Neo-Platonist philosopher Bernard of Chartres.

It has come to stand for an attitude of humility and gratitude for the passed-down wisdom of past and current masters, and a method of discovering truth by building on previous discoveries. To some, this might seem like a meekly admittance of one’s limitations, but if Newton, one of the most brilliant minds in the history of mankind, had no trouble admitting it, why should we?

According to an old proverb one should not “reinvent the wheel”. It would be both arrogant and foolish to attempt solving problems that others, much wiser than us, have solved long ago.

When we actively try to learn from our predecessors we simultaneously free up scarce resources that can be used to find creative and effective solutions to those problems that actually are unique to us and our clients.

Below is a collection of business and investment related quotations by both well known and less well known investing legends and other people worth looking up to and learning from. They have inspired us and they also allow you to get a good glimpse into our way of thinking. Enjoy!

## Table of Contents

On market efficiency.....	3
On the proper level of diversification .....	4
On the proper investment horizon.....	8
On independent thinking.....	9
On market-timing.....	13
On the optimal level of portfolio activity.....	16
On simplicity vs. complexity .....	18
On risk management .....	19
On the proper mind-set for long-term investing .....	21
On efficient decision-making.....	28
On precious metals & commodities .....	32
On management fees.....	32
On the nature and purpose of wealth .....	33

## On market efficiency

*"Observing correctly that the market was frequently efficient, they [academics] went on to conclude incorrectly that it was always efficient. The difference between these propositions is night and day!"*

-- Warren Buffett

*"I see nothing in the arguments of Professor Eugene Fama or the other efficient market advocates to suggest that large groups of investors may not make the same error in appraising the kind of abstract ideas that take special expertise to understand and evaluate, and that consequently travel relatively slowly."*

-- Jack Treynor

*"In the short run, the market is a voting machine but in the long run it is a weighing machine."*

-- Benjamin Graham

## On the proper level of diversification

*"We say we are trying to buy into businesses with excellent economics, run by honest and able people at a decent price. We buy very few securities, so we look at it as "focused" investing."*

-- Warren Buffett

*"The strategy we've adopted precludes our following standard diversification dogma. Many pundits would therefore say the strategy must be riskier than that employed by more conventional investors. We disagree. We believe that a policy of portfolio concentration may well decrease risk if it raises, as it should, both the intensity with which an investor thinks about a business and the comfort-level he must feel with its economic characteristics before buying into it."*

-- Warren Buffett

*"The percentage of investors who own 25 or more different stocks is appalling. It is not this number of 25 or more which itself is appalling. Rather it is that in the great majority of instances only a small percentage of such holdings is in attractive stocks about which the investor has a high degree of knowledge. Investors have been so oversold on diversification that fear of having too many eggs in one basket has caused them to put far too little into companies they thoroughly know and far too much in others about which they know nothing at all. It never seems to occur to them that buying a company without having sufficient knowledge of it may be even more dangerous than having inadequate diversification."*

-- Philip Fisher ("Common Stocks and Uncommon Profits")

*"Diversification is a protection against ignorance. It makes very little sense for those who know what they're doing."*

-- Warren Buffett

*"If you know how to value businesses, it's crazy to own 50 stocks or 40 stocks or 30 stocks, probably because there aren't that many wonderful businesses understandable to a single human being in all likelihood. To forego buying more of some super-wonderful business and instead put your money into #30 or #35 on your list of attractiveness just strikes Charlie and me as madness."*

-- Warren Buffett

*"Investing is where you find a few great companies and then sit on your ass. If you took out our 15 best ideas, most of you wouldn't be here."*

-- Charlie Munger

*"Our policy is to concentrate holdings. We try to avoid buying a little of this or that when we are only lukewarm about the business or its price. When we are convinced as to attractiveness, we believe in buying worthwhile amounts."*

-- Warren Buffett

*"It is a mistake to think one limits one's risks by spreading too much between enterprises about one knows little and has no reason for special confidence. One's knowledge and experience are definitely limited and there are seldom more than two or three enterprises at any given time in which I personally feel myself entitled to put full confidence."*

-- John Maynard Keynes

*"To suppose that safety-first consists in having a small gamble in a large number of different companies where I have no information to reach a good judgment, as compared with a substantial stake in a company where one's information is adequate, strikes me as a travesty of investment policy."*

-- John Maynard Keynes (in letter to F.C. Scott, February 6, 1942)

*"Diversification is something that stock brokers came up with to protect themselves, so they wouldn't get sued for making bad investment choices for clients. Henry Ford never diversified, Bill Gates didn't diversify. The way to get rich is to put your eggs in one basket, but watch that basket very carefully. And make sure you have the right basket."*

-- Jim Rogers

*"The idea of excessive diversification is madness. Wide diversification, which necessarily includes investment in mediocre businesses, only guarantees ordinary results."*

-- Charlie Munger

*"We try to exert a Ted Williams kind of discipline. In his book *The Science of Hitting*, Ted explains that he carved the strike zone into 77 cells, each the size of a baseball. Swinging only at balls in his "best" cell, he knew, would allow him to bat .400; reaching for balls in his "worst" spot, the low outside corner of the strike zone, would reduce him to .230. In other words, waiting for the fat pitch would mean a trip to the Hall of Fame; swinging indiscriminately would mean a ticket to the minors."*

-- Warren Buffett

*“In investing, what is comfortable is rarely profitable.”*

-- Robert Arnott

*“It seems to be common sense that if you are going to search for these unusually good bargains you wouldn't just search in Canada. If you search just in Canada you will find some, or if you search just in the United States you will find some. But why not search everywhere? That's what we've been doing for forty years. We search anywhere in the world. To avoid having all your eggs in the wrong basket at the wrong time, every investor should diversify. If you search worldwide, you will find more and better bargains than by studying only one nation. You will also gain diversification. Research shows that a stock portfolio with investments around the world is likely to yield, in the long run, higher return at a lower level of volatility than a simple, diversified, single nation portfolio. This is what we have always done, as the results of the Templeton Growth Fund, Ltd. have shown.”*

-- Sir John Templeton

*“...but the important thing is that when you do find one where you really do know what you are doing, you must buy in quantity.... Charlie and I have made a dozen or so very big decisions relative to net worth, although not as big as they should have been. And in each of those, we've known that we were almost certain to be right going in.”*

-- Warren Buffett

*“I made a study back when I ran an investment partnership of all our larger investments versus the smaller investments. The larger investments always did better than the smaller investments. There is a threshold of examination and criticism and knowledge that has to be overcome or reached in making a big decision that you can get sloppy about on small decisions. Somebody says 'I bought a hundred shares of this or that because I heard about it at a party the other night.' Well there is that tendency with small decisions to think you can do it for not very good reasons.”*

-- Warren Buffett

*“Wide diversification is only required when investors do not understand what they are doing. Diversification is a protection against ignorance. It makes very little sense for those who know what they're doing.”*

-- Warren Buffett

*“As a result of overdiversification, their (active managers) returns get watered down. Diversification covers up ignorance. Active managers haven't done enough research into any of their companies. If managers have 200 positions, do you think they know what's going on at any one of those companies at this moment?”*

-- Bill Ackman

*“Diversification for its own sake is not sensible. This is the index fund mentality: if you can't beat the market, be the market. Advocates of extreme diversification—which I think of as overdiversification—live in fear of company-specific risks; their view is that if no single position is large, losses from unanticipated events cannot be great. My view is that an investor is better off knowing a lot about a few investments than knowing only a little about each of a great many holdings. One's very best ideas are likely to generate higher returns for a given level of risk than one's hundredth or thousandth best idea.”*

-- Seth Klarman

*“The average mutual fund that holds 150 names goes that far out on the spectrum more for business reasons than for performance reasons. This is a profession where managers focus a lot on the question: ‘What mistake would it take to get me fired?’ The answer usually centers around underperforming by a certain amount, so they develop a strategy to minimize the probability of that outcome.”*

-- Bill Nygren

*“The right method in investment is to put fairly large sums into enterprises which one thinks one knows something about and in the management of which one thoroughly believes. It is a mistake to think that one limits one's risk by spreading too much between enterprises about which one knows little and has no reason for special confidence.”*

-- John Maynard Keynes

*“We're non-diversified. We focus. Why not buy more of your best idea rather than your 60th best idea? How many companies can I really know well over time and focus on, on a daily basis?”*

-- Bruce Berkowitz

*“Diversification is a surrogate - and a damn poor surrogate - for knowledge, elements of control, and price-consciousness.”*

-- Martin Whitman

*“Perfection is finally attained not when there is no longer anything to add, but when there is no longer anything to take away.”*

-- Antoine de Saint Exupéry

## On the proper investment horizon

*"If the job has been correctly done when a common stock is purchased, the time to sell it is – almost never."*

-- Philip Fisher

*"It might have been supposed that competition between expert professionals, possessing judgment and knowledge beyond that of the average private investor, would correct the vagaries of the ignorant individual left to himself. It happens, however, that the energies and skill of the professional investor and speculator are mainly occupied otherwise. For most of these persons are, in fact, largely concerned, not with making superior long-term forecasts of the probable yield of an investment over its whole life, but with foreseeing changes in the conventional basis of valuation a short time ahead of the general public. They are concerned, not with what an investment is really worth to a man who buys it for "keeps", but with what the market will value it at, under the influence of mass psychology, three months or a year hence."*

-- John Maynard Keynes

*"If you don't feel comfortable owning something for 10 years, then don't own it for 10 minutes."*

-- Warren Buffett

*"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."*

-- Warren Buffett

*"Time is the friend of the wonderful business, the enemy of the mediocre."*

-- Warren Buffett

## On independent thinking

*"It is impossible to produce superior performance unless you do something different from the majority."*

-- Sir John Templeton

*"It is the long term investor who will in practice come in for the most criticism. For it is the essence of his behaviour that he should be eccentric, unconventional and rash in the eyes of the average opinion. If he is successful, that will only confirm the general belief in his rashness; and if in the short run he is unsuccessful, which is very likely, he will not receive much mercy. Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally."*

-- John Maynard Keynes

*"In any great organization it is far, far safer to be wrong with the majority than to be right alone."*

--John Kenneth Galbraith

*"In economics, the majority is always wrong."*

--John Kenneth Galbraith

*"You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right."*

-- Benjamin Graham

*"Even the intelligent investor is likely to need considerable willpower to keep from following the crowd."*

-- Benjamin Graham

*"Few people are capable of expressing with equanimity opinions which differ from the prejudices of their social environment. Most people are even incapable of forming such opinions."*

-- Albert Einstein

*“Common sense is the collection of prejudices acquired by age 18.”*

-- Albert Einstein

*“Do not fear to be eccentric in opinion, for every opinion now accepted was once eccentric.”*

-- Bertrand Russell

*“The fact that an opinion has been widely held is no evidence whatever that it is not utterly absurd; indeed in view of the silliness of the majority of mankind, a widespread belief is more likely to be foolish than sensible.”*

-- Bertrand Russell

*“To think is to differ.”*

-- Clarence Darrow

*“In reality, those who repudiate a theory that they had once proposed, or a theory that they had accepted enthusiastically and with which they had identified themselves, are very rare. The great majority of them shut their ears so as not to hear the crying facts, and shut their eyes so as not to see the glaring facts, in order to remain faithful to their theories in spite of all and everything.”*

-- Maurice Arthus

*“Active management strategies demand uninstitutional behavior from institutions, creating a paradox that few can unravel. Establishing and maintaining an unconventional investment profile requires acceptance of uncomfortably idiosyncratic portfolios, which frequently appear downright imprudent in the eyes of conventional wisdom.”*

-- David Swensen

*“The world of finance hails the invention of the wheel over and over again, often in a slightly more unstable version.”*

-- John Kenneth Galbraith

*“The priority is that all of us continue to zealously guard Berkshire’s reputation. We can’t be perfect but we can try to be. As I’ve said in these memos for more than 25 years: “We can afford to lose money – even a lot of money. But we can’t afford to lose reputation – even a shred of reputation.” We must continue to measure every act against not only what is legal but also what we would be happy to have written about on the front page of a national newspaper in an article written by an unfriendly but intelligent reporter. Sometimes your associates will say “Everybody else is doing it.” This rationale is almost always a bad one if it is the main justification for a business action. It is totally unacceptable when evaluating a moral decision. Whenever somebody offers that phrase as a rationale, in effect they are saying that they can’t come up with a good reason. If anyone gives this explanation, tell them to try using it with a reporter or a judge and see how far it gets them.”*

-- Warren Buffett

*“The less confident you are, the more serious you have to act.”*

-- Tara Ploughman

*Q: “So what lesson should individual investors take from your study?”*

*A: “That what’s most relevant to you is whether and how you’re doing something different from what everybody else is doing.”*

--Roger Ibbotson, Ibbotson Associates, ”Money” magazine interview

*“It must be remembered that there is nothing more difficult to plan, more doubtful of success, nor more dangerous to manage than the creation of a new system. For the initiator has the enmity of all who would profit by the preservation of the old institutions and merely lukewarm defenders in those who would gain by the new ones.”*

-- Niccolò Machiavelli

*“It is difficult to get a man to understand something, when his salary depends on his not understanding it.”*

-- Upton Sinclair

*“It is easier to fool people than to convince people that they have been fooled.”*

-- Mark Twain

*"I ask myself, 'Why is it that several dozen people saw this crisis coming for years?' I described it as being like watching a train wreck in very slow motion. It seemed so inevitable and so merciless, and yet the bosses of Merrill Lynch and Citi and even Hank Paulson and Bernanke — none of them seemed to see it coming. I have a theory that people who find themselves running major-league companies are real organization-management types who focus on what they are doing this quarter or this annual budget. They are somewhat impatient, and focused on the present. Seeing these things requires more people with a historical perspective who are more thoughtful and more right-brained — but we end up with an army of left-brained immediate doers. So it's more or less guaranteed that every time we get an outlying, obscure event that has never happened before in history, they are always going to miss it. And the three or four-dozen-odd characters screaming about it are always going to be ignored. . . . So we kept putting organization people — people who can influence and persuade and cajole — into top jobs that once-in-a-blue-moon take great creativity and historical insight. But they don't have those skills."*

-- Jeremy Grantham (commenting on the financial crisis of 2008)

*"This is all you need to know about the business — and you probably know it already; it's all about career risk. Everyone's job description is the same — and that's basically to keep it. Keynes explained it all in 1936 — in chapter 12 of "General Theory" — "Never be wrong on your own." The definition of a prudent banker is to go bust with all the other bankers. Even if you are right on your own, he explained, they'll pat you on the head while you're in the room; but when you leave, you'll be described as a dangerous eccentric. And when you're wrong — which sooner or later, in an uncertain world, you will be — quote: "You will not receive much mercy.""*

-- Jeremy Grantham

## On market-timing

*"The line separating investment and speculation, which is never bright and clear, becomes blurred still further when most market participants have recently enjoyed triumphs. Nothing sedates rationality like large doses of effortless money. After a heady experience of that kind, normally sensible people drift into behavior akin to that of Cinderella at the ball. They know that overstaying the festivities - that is, continuing to speculate in companies that have gigantic valuations relative to the cash they are likely to generate in the future - will eventually bring on pumpkins and mice. But they nevertheless hate to miss a single minute of what is one helluva party. Therefore, the giddy participants all plan to leave just seconds before midnight. There's a problem, though: They are dancing in a room in which the clocks have no hands."*

-- Warren Buffett

*"We've long felt that the only value of stock forecasters is to make fortune tellers look good. Even now, Charlie and I continue to believe that short-term market forecasts are poison and should be kept locked up in a safe place, away from children and also from grown-ups who behave in the market like children."*

-- Warren Buffett

*"The average long-term experience in investing is never surprising, but the short-term experience is always surprising. We now know to focus not on rate of return, but on the informed management of risk."*

-- Charles Ellis

*"Thousands of experts study overbought indicators, oversold indicators, head-and-shoulder patterns, put-call ratios, the Fed's policy on money supply, foreign investment, the movement of the constellations through the heavens, and the moss on oak trees, and they can't predict the markets with any useful consistency, any more than the gizzard squeezers could tell the Roman emperors when the Huns would attack.... The market ought to be irrelevant. If I could convince you of this one thing, I'd feel this book had done its job. I don't believe in predicting markets. I believe in buying great companies -- especially companies that are undervalued and/or underappreciated.... Pick the right stocks and the market will take care of itself. That's not to say that there isn't such a thing as an overvalued market, but there's no point worrying about it. The way you'll know when the market is overvalued is when you can't find a single company that's reasonably priced or that meets your other criteria for investment."*

-- Peter Lynch

*"All economic movements, by their very nature, are motivated by crowd psychology."*

-- Bernard Baruch

*“I’ve never considered it a legitimate goal to say you’re going to invest at the bottom. There is no price other than zero that can’t be exceeded on the downside, so you can’t really know where the bottom is, other than in retrospect. That means you have to invest at other times. If you wait until the bottom has passed, when the dust has settled and uncertainty has been resolved, demand starts to outstrip supply and you end up competing with too many other buyers. So if you can’t expect to buy at the bottom and it’s hard to buy on the way up after the bottom, that means you have to be willing to buy on the way down. It’s our job as value investors, whatever the asset class, to try to catch falling knives as skillfully as possible.”*

-- Howard Marks

*“In their calmer moments, investors recognize their inability to know what the future holds. In moments of extreme panic or enthusiasm, however, they become remarkably bold in their predictions: they act as though uncertainty has vanished and the outcome is beyond doubt. Reality is abruptly transformed into that hypothetical future where the outcome is known. These are rare occasions, but they are unforgettable: major tops and bottoms in markets are defined by this switch from doubt to certainty.”*

-- Peter Bernstein

*“The error of optimism dies in the crisis but in dying it ‘gives birth to an error of pessimism. This new error is born, not an infant, but a giant; for the boom has necessarily been a period of strong emotional excitement, and an excited man passes from one form of excitement to another more rapidly than he passes to quiescence.’”*

-- A. C. Pigou

*“The idea that a bell rings to signal when investors should get into or out of the stock market is simply not credible. After nearly fifty years in this business, I do not know of anybody who has done it successfully and consistently. I don't even know anybody who knows anybody who has done it successfully and consistently. Yet market timing appears to be increasingly embraced by mutual fund investors and the professional managers of fund portfolios alike.”*

-- John C. Bogle

*"We are convinced that the intelligent investor can derive satisfactory results from pricing of either type (market timing or fundamental analysis via price). We are equally sure that if he places his emphasis on timing, in the sense of forecasting, he will end up as a speculator and with a speculator's financial results." And "The speculator's primary interest lies in anticipating and profiting from market fluctuations. The investor's primary interest lies in acquiring and holding suitable securities at suitable prices."*

-- Benjamin Graham

*“There is one major difference between my two small investments and an investment in stocks. Stocks provide you minute-to-minute valuations for your holdings whereas I have yet to see a quotation for either my farm or the New York real estate. It should be an enormous advantage for investors in stocks to have those wildly fluctuating valuations placed on their holdings – and for some investors, it is. After all, if a moody fellow with a farm bordering my property yelled out a price every day to me at which he would either buy my farm or sell me his – and those prices varied widely over short periods of time depending on his mental state – how in the world could I be other than benefited by his erratic behavior? If his daily shout-out was ridiculously low, and I had some spare cash, I would buy his farm. If the number he yelled was absurdly high, I could either sell to him or just go on farming. Owners of stocks, however, too often let the capricious and often irrational behavior of their fellow owners cause them to behave irrationally as well. Because there is so much chatter about markets, the economy, interest rates, price behavior of stocks, etc., some investors believe it is important to listen to pundits – and, worse yet, important to consider acting upon their comments. Those people who can sit quietly for decades when they own a farm or apartment house too often become frenetic when they are exposed to a stream of stock quotations and accompanying commentators delivering an implied message of “Don’t just sit there, do something.” For these investors, liquidity is transformed from the unqualified benefit it should be to a curse. A “flash crash” or some other extreme market fluctuation can’t hurt an investor any more than an erratic and mouthy neighbor can hurt my farm investment. Indeed, tumbling markets can be helpful to the true investor if he has cash available when prices get far out of line with values. A climate of fear is your friend when investing; a euphoric world is your enemy. During the extraordinary financial panic that occurred late in 2008, I never gave a thought to selling my farm or New York real estate, even though a severe recession was clearly brewing. And, if I had owned 100% of a solid business with good long-term prospects, it would have been foolish for me to even consider dumping it. So why would I have sold my stocks that were small participations in wonderful businesses?”*

-- Warren Buffett

*“We have not proved able to take much advantage of a general systematic movement out of and into ordinary shares as a whole at different phases of the trade cycle. As a result of those experiences I am clear that the idea of wholesale shifts is for various reasons impracticable and indeed undesirable. Most of those who attempt it sell too late and buy too late, and do both too often, incurring heavy expenses and developing too unsettled and speculative a state of mind, which, if it is widespread, has besides the grave social disadvantages of aggravating the scale of fluctuations.”*

-- John Maynard Keynes

*“There are two kinds of forecasters: those who don't know, and those who don't know they don't know.”*

--John Kenneth Galbraith

*Q: “What will the stock market do, Mr. Morgan?”*

*A: “Fluctuate”*

-- J P Morgan

## On the optimal level of portfolio activity

*"Lethargy, bordering on sloth, should remain the cornerstone of an investment style."*

-- Warren Buffett

*"We don't get paid for activity, just for being right. As to how long we'll wait, we'll wait indefinitely."*

-- Warren Buffett

*"One of the ironies of the stock market is the emphasis on activity. Brokers, using terms such as 'marketability' and 'liquidity,' sing the praises of companies with high share turnover... but investors should understand that what is good for the croupier is not good for the customer. A hyperactive stock market is the pick pocket of enterprise."*

-- Warren Buffett

*"Investing is where you find a few great companies and then sit on your ass. If you took out our 15 best ideas, most of you wouldn't be here."*

-- Charlie Munger

*"Move only when you have an advantage. It's very basic. You have to understand the odds and have the discipline to bet only when the odds are in your favor."*

-- Charlie Munger

*"The Stock Market is designed to transfer money from the Active to the Patient."*

-- Warren Buffett

*"In a world in which most investors appear interested in figuring out how to make money every second and chase the idea du jour, there's also something validating about the message that it's okay to do nothing and wait for opportunities to present themselves or to pay off. That's lonely and contrary a lot of the time, but reminding yourself that that's what it takes is quite helpful."*

-- Seth Klarman

*“Those in the investment business compete on the basis of short-term, relative (not absolute) investment performance, and prefer to follow the herd (at the price of assured mediocrity) rather than stand apart (risking severe underperformance). From a business perspective, how much better to be actively deploying capital, even if the investments are mediocre, than to be stalled in neutral; the employees keep busy, while the clients confuse decisions with diligence, activity with insight, and a fully invested posture with a worthwhile portfolio.”*

-- Seth Klarman

*“As Graham, Dodd and Buffett have all said, you should always remember that you don't have to swing at every pitch. You can wait for opportunities that fit your criteria and if you don't find them, patiently wait. Deciding not to act is still a decision.”*

-- Seth Klarman

*“Once we act, we forfeit the option of waiting until new information comes along. As a result, not acting has value. The more uncertain the outcome, the greater may be the value of procrastination.”*

-- Peter Bernstein

*“If farming were to be organised like the stock market, a farmer would sell his farm in the morning when it was raining, only to buy it back in the afternoon when the sun came out.”*

-- John Maynard Keynes

*“We practice the Taoist wei wu wei, the “doing not doing” as regards our portfolio, otherwise known as creative non action.”*

-- Bill Miller

*“Time is the friend of the wonderful business, the enemy of the mediocre.”*

-- Warren Buffett

## On simplicity vs. complexity

*“Any intelligent fool can make things bigger and more complex. It takes a touch of genius – and a lot of courage – to move in the opposite direction.”*

--Albert Einstein

*“Everything should be made as simple as possible, but not simpler.”*

--Albert Einstein

*“Things that count, often can't be counted. Things that can be counted, often don't count.”*

--Albert Einstein

*“Do not imagine that mathematics is hard and crabbed, and repulsive to common sense. It is merely the etherealisation of common sense.”*

-- Lord Kelvin

*“If you can not measure it, you can not improve it.”*

-- Lord Kelvin

*“Never invest in an idea you can't illustrate with a crayon.”*

-- Peter Lynch

*“Academics' current practice of teaching Black-Scholes as revealed truth needs re-examination. For that matter, so does the academic's inclination to dwell on the valuation of options. You can be highly successful as an investor without having the slightest ability to value an option. What students should be learning is how to value a business. That's what investing is all about.”*

-- Warren Buffett

## On risk management

*"Markets can remain irrational longer than you can remain solvent."*

--John Maynard Keynes

*"The real trouble with this world of ours is not that it is an unreasonable world, nor even that it is a reasonable one. The commonest kind of trouble is that it is nearly reasonable, but not quite. Life is not an illogicality; yet it is a trap for logicians. It looks just a little more mathematical and regular than it is; its exactitude is obvious, but its inexactitude is hidden; its wildness lies in wait."*

-- G.K. Chesterton

*"The fundamental principle of auto racing is that to finish first, you must first finish. That dictum is equally applicable to business and guides our every action at Berkshire. Unquestionably, some people have become very rich through the use of borrowed money. However, that's also been a way to get very poor. When leverage works, it magnifies your gains. Your spouse thinks you're clever, and your neighbors get envious. But leverage is addictive. Once having profited from its wonders, very few people retreat to more conservative practices. And as we all learned in third grade – and some relearned in 2008 – any series of positive numbers, however impressive the numbers may be, evaporates when multiplied by a single zero. History tells us that leverage all too often produces zeroes, even when it is employed by very smart people."*

-- Warren Buffett

*"It is not the strongest of the species which survive, nor the most intelligent, but those most able to change."*

-- Charles Darwin

*"Reality is far more vicious than Russian roulette. First, it delivers the fatal bullet rather infrequently, like a revolver that would have hundreds, even thousands of chambers instead of six. After a few dozen tries, one forgets about the existence of a bullet, under a numbing false sense of security. . . . Second, unlike a well-defined precise game like Russian roulette, where the risks are visible to anyone capable of multiplying and dividing by six, one does not observe the barrel of reality. . . . One is thus capable of unwittingly playing Russian roulette – and calling it by some alternative "low risk" name."*

-- Nassim Nicholas Taleb

*"The essence of investment management is the management of risks, not the management of returns."*

-- Benjamin Graham

*"Nothing is more soothing or more persuasive than the computer screen, with its imposing arrays of numbers, glowing colors, and elegantly structured graphs. As we stare at the passing show, we become so absorbed that we tend to forget that the computer only answers questions; it does not ask them. Whenever we ignore that truth, the computer supports us in our conceptual errors. Those who live only by the numbers may find that the computer has simply replaced the oracles to whom people resorted in ancient times for guidance in risk management and decision-making."*

-- Peter Bernstein (*"Against the Gods: The Remarkable Story of Risk"*)

*"Experience is the name that everyone gives their mistakes."*

-- Oscar Wilde

*"Those who do not learn from history are doomed to repeat its mistakes."*

-- George Santayana

*"There are two times in a man's life when he should not speculate: when he can't afford it and when he can."*

-- Mark Twain

## On the proper mind-set for long-term investing

*"In investing, what is comfortable is rarely profitable."*

-- Robert Arnott

*"Money will always flow toward opportunity, and there is an abundance of that in America. Commentators today often talk of "great uncertainty." But think back, for example, to December 6, 1941, October 18, 1987 and September 10, 2001. No matter how serene today may be, tomorrow is always uncertain. Don't let that reality spook you. Throughout my lifetime, politicians and pundits have constantly moaned about terrifying problems facing America. Yet our citizens now live an astonishing six times better than when I was born. The prophets of doom have overlooked the all-important factor that is certain: Human potential is far from exhausted, and the American system for unleashing that potential – a system that has worked wonders for over two centuries despite frequent interruptions for recessions and even a Civil War – remains alive and effective."*

-- Warren Buffett

*"Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas."*

-- Paul Samuelson

*"Now is always the hardest time to invest."*

-- Bernard Baruch

*"It is the duty of the long-term investor to endure great losses with equanimity."*

-- John Maynard Keynes

*"The time to buy is when there's blood in the streets."*

-- Baron Meyer de Rothschild

*"Be fearful when others are greedy and greedy when others are fearful."*

-- Warren Buffett

*"Success in investing doesn't correlate with IQ -- once you're above the level of 125. Once you have ordinary intelligence, what you need is the temperament to control the urges that get other people into trouble in investing."*

-- Warren Buffett

*"Anyone who stops learning is old, whether at twenty or eighty. Anyone who keeps learning stays young. The greatest thing in life is to keep your mind young."*

-- Henry Ford

*"Chance favors the prepared."*

-- Louis Pasteur

*"Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria."*

-- Sir John Templeton

*"The time of maximum pessimism is the best time to buy."*

-- Sir John Templeton

*"What experience and history teach is this – that people and governments never have learned anything from history, or acted on principles deduced by it."*

-- Hegel

*"The only function of economic forecasting is to make astrology look respectable."*

--John Kenneth Galbraith

*"Success is going from failure to failure without a loss of enthusiasm."*

-- Winston Churchill



*“Learn how to ignore the examples from others when they are wrong, because few skills are more worth having.”*

-- Charlie Munger

*“When the facts change, I change my mind. What do you do, Sir?”*

-- Keynes, reply to a criticism during the Great Depression of having changed his position on monetary policy

*“Nothing is more soothing or more persuasive than the computer screen, with its imposing arrays of numbers, glowing colors, and elegantly structured graphs. As we stare at the passing show, we become so absorbed that we tend to forget that the computer only answers questions; it does not ask them. Whenever we ignore that truth, the computer supports us in our conceptual errors. Those who live only by the numbers may find that the computer has simply replaced the oracles to whom people resorted in ancient times for guidance in risk management and decision-making.”*

-- Peter Bernstein (*“Against the Gods: The Remarkable Story of Risk”*)

*“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.”*

-- Bill Gates

*“The whole problem with the world is that fools and fanatics are always so certain of themselves, but wiser people so full of doubts.”*

-- Bertrand Russell

*“An nescis, mi fili, quantilla prudentia mundus regatur?” (Vet du inte, min son, med hur litet förstånd världen styrs / Do you not know, my son, with how little wisdom the world is governed?)*

-- Axel Oxenstierna (Lord High Chancellor of Sweden 1612-1654, in letter to his son)

*“It’s frightening to think that you might not know something, but more frightening to think that, by and large, the world is run by people who have faith that they know exactly what’s going on.”*

-- Amos Tversky

*"Never ascribe to malice that which is adequately explained by incompetence."*

-- Napoleon Bonaparte

*"If something cannot go on forever, it will stop." (Stein's Law)*

-- Herbert Stein

*"The art of investment has one characteristic that is not generally appreciated. A creditable, if unspectacular, result can be achieved by the lay investor with a minimum of effort and capability; but to improve this easily attainable standard requires much application and more than a trace of wisdom. If you merely try to bring just a little extra knowledge and cleverness to bear upon your investment program, instead of realizing a little better than normal results, you may well find that you have done worse."*

-- Benjamin Graham

*"It's not supposed to be easy. Anyone who finds it easy is stupid."*

-- Charlie Munger, on investing

*"Since we have emphasized that analysis will lead to a positive conclusion only in the exceptional case, it follows that many securities must be examined before one is found that has real possibilities for the analyst. By what practical means does he proceed to make his discoveries? Mainly by hard and systematic work."*

-- Benjamin Graham

*"Traditionally the investor has been the man with patience and the courage of his convictions who would buy when the harried or disheartened speculator was selling."*

-- Benjamin Graham

*"The world belongs to optimists; the pessimists are only spectators."*

-- François Guizot

*"Don't ever become a pessimist... a pessimist is correct oftener than an optimist, but an optimist has more fun, and neither can stop the march of events."*

-- Robert Heinlein

*"Pessimistic visions about almost anything always strike the public as more erudite than optimistic ones."*

-- Joseph Schumpeter

*"I have observed that not the man who hopes when others despair, but the man who despairs when others hope, is admired by a large class of persons as a sage."*

-- John Stuart Mill

*"Dealing with failure is easy: Work hard to improve. Success is also easy to handle: You've solved the wrong problem. Work hard to improve."*

-- Alan Perlis

*"Most interesting phenomena have multiple causes."*

-- N. P. Collingwood

*"Before I came along, my field was dominated by myth, superstition, deceit, and outright fraud. I overcame it by the simple application of logical thinking."*

-- Arthur Jones, founder of Nautilus Exercise Equipment Co.

*"I skate to where the puck is going to be, not to where it has been."*

-- Wayne Gretzky

*"Dispassionate objectivity is itself a passion, for the real and for the truth."*

-- Abraham Maslow

*"Fund consultants like to require style boxes such as "long-short," "macro," "international equities." At Berkshire our only style box is "smart.""*

-- Warren Buffett

*"Criticism may not be agreeable, but it is necessary. It fulfills the same function as pain in the human body. It calls attention to an unhealthy state of things."*

-- Winston Churchill

*"Well, one time some attractive woman sat next to Charlie and asked him what he owed his success to, and, unfortunately, she insisted on a one word answer. He had a speech prepared that would have gone on for several hours. But when forced to boil it down to one word, he said that was "rational". You know, he comes equipped for rationality, and he applies it in business. He doesn't always apply it elsewhere, but he applies it in business and that has made him a huge business success."*

-- Warren Buffett (discussing Charlie Munger)

*"Explanations exist; they have existed for all time; there is always a well-known solution to every human problem — neat, plausible, and wrong."*

-- Henry Louis Mencken

*"The investor's chief problem - and even his worst enemy - is likely to be himself."*

-- Benjamin Graham

*"Never argue with stupid people, they will drag you down to their level and then beat you with experience."*

-- Mark Twain

*"To know that we know what we know, and to know that we do not know what we do not know, that is true knowledge."*

-- Nicolaus Copernicus

*"Life is a tightrope between two errors: generalizing the wrong particular and particularizing the wrong general."*

-- Nassim Nicholas Taleb

*"You can observe a lot by just watching."*

-- Yogi Berra

*“No greater mistake can be made than to imagine that what has been written latest is always the more correct; that what is written later on is an improvement on what was written previously; and that every change means progress.”*

-- Arthur Schopenhauer

*“It has long appeared to me that the first rule of finance often seems to be: don’t admit ignorance. Perhaps there is some secret broker school (a twisted Hogwarts) that I managed to bypass where you are taught never to admit ignorance or fallibility, and where any sense of humility is surgically removed. Once upon long ago I attempted to study some philosophy. However, I found eastern philosophy easier to understand and less inclined to spend its time arguing over the meaning of words. Among the mass of wisdom that I came across there, two simple sayings managed to lodge in the Swiss cheese of my mind. The first was Buddha’s admonishment to his followers to “Doubt everything”. This has formed one platform of my approach to thinking about investment over the years. The second was Confucius’ observation that “To ask a question is but a moment’s shame, but to live in ignorance is lifelong shame”. In this spirit I have never shirked from asking questions even (or perhaps especially) when it was politically insensitive to do so. Of course, asking questions is an admission of ignorance, and thus frowned upon in our industry...We have essentially created an industry in which everyone is expected to know more and more about less and less, until we end up knowing everything about nothing (the definition of a specialist). The prevailing view holds that if we don’t follow this view we will end up knowing less and less about more and more, until we know nothing about everything. However, I think humility is central to the investment process. Once one has accepted that you cannot and do not know everything (or even in fact very much at all), then a number of insights into investment start to follow. We simply don’t know what the future holds, and frankly anyone who tells you anything different is either a liar or thinks you are a fool.”*

-- James Montier

*“If I have seen further it is by standing on the shoulders of giants.”*

-- Isaac Newton

## On efficient decision-making

*"The man who insists on seeing with perfect clearness before he decides, never decides."*

-- Henri-Frederic Amiel

*"Situations in life often permit no delay; and when we cannot determine the course which is certainly best, we must follow the one which is probably the best. This frame of mind freed me also from the repentance and remorse commonly felt by those vacillating individuals who are always seeking as worthwhile things which they later judge to be bad."*

-- Rene Descartes

*"It's frightening to think that you might not know something, but more frightening to think that, by and large, the world is run by people who have faith that they know exactly what's going on."*

-- Amos Tversky

*"The fewer data needed, the better the information. And an overload of information, that is, anything much beyond what is truly needed, leads to information blackout. It does not enrich, but impoverishes."*

-- Peter Drucker

*"What gets measured gets managed."*

-- Peter Drucker

*"It is vain to do with more what can be done with less." ("Occams Razor")*

-- William of Occam

*"In an information-rich world, the wealth of information means a dearth of something else: a scarcity of whatever it is that information consumes. What information consumes is rather obvious: it consumes the attention of its recipients. Hence a wealth of information creates a poverty of attention and a need to allocate that attention efficiently among the overabundance of information sources that might consume it."*

--Herbert Simon

*"Choice of attention – to pay attention to this and ignore that – is to the inner life what choice of action is to the outer. In both cases, a man is responsible for his choice and must accept the consequences, whatever they may be."*

-- W.H. Auden

*"There is always an easy solution to every human problem - neat, plausible and wrong."*

-- H. L. Mencken

*"It is better to be approximately right than precisely wrong."*

-- John Maynard Keynes

*"The most important questions of life are, for the most part, really only problems of probability."*

-- Pierre-Simon de Laplace (*"Theorie Analytique des Probabilites"*)

*"When you have eliminated the impossible, whatever remains, however improbable, must be the truth."*

-- Arthur Conan Doyle

*"The world is full of obvious things which nobody by any chance ever observes."*

-- Arthur Conan Doyle

*"There is nothing as deceptive as an obvious fact."*

-- Arthur Conan Doyle

*"It is a capital mistake to theorize before one has data."*

-- Arthur Conan Doyle

*"The farther backward you can look, the farther forward you are likely to see."*

-- Winston Churchill



*“Contributing to the euphoria are two further factors little noted in our time or in past times. The first is the extreme brevity of the financial memory. In consequence, financial disaster is quickly forgotten. In further consequence, when the same or closely similar circumstances occur again, sometimes in only a few years, they are hailed by a new, often youthful, and always supremely self-confident generation as a brilliantly innovative discovery in the financial and larger economic world. There can be few fields of human endeavor in which history counts for so little as in the world of finance. Past experience, to the extent that it is part of memory at all, is dismissed as the primitive refuge of those who do not have the insight to appreciate the incredible wonders of the present.”*

-- John Kenneth Galbraith

*“The aspects of things that are most important for us are hidden because of their simplicity and familiarity.”*

-- Ludwig Wittgenstein

*"We are so distracted by and engulfed by the technologies we've created, and by the constant barrage of so-called information that comes our way, that more than ever to immerse yourself in an involving book seems socially useful... The place of stillness that you have to go to to write, but also to read seriously, is the point where you can actually make responsible decisions, where you can actually engage productively with an otherwise scary and unmanageable world."*

-- Jonathan Franzen

*"As all these results were obtained, not by any heroic method, but by patient and detailed reasoning, I began to think it probable that philosophy had erred in adopting heroic remedies for intellectual difficulties, and that solutions were to be found merely by greater care and accuracy. This view I have come to hold more and more strongly as time went on, and it has led me to doubt whether philosophy, as a study distinct from science and possessed of a method of its own, is anything more than an unfortunate legacy from theology."*

-- Bertrand Russell (in "Logical Atomism")

*"Get the important things right."*

-- N. P. Collingwood

*"If the only tool you have is a hammer, you tend to see every problem as a nail."*

-- Abraham Maslow

*“Every now and then go away, have a little relaxation, for when you come back to your work your judgment will be surer. Go some distance away because then the work appears smaller and more of it can be taken in at a glance and a lack of harmony and proportion is more readily seen.”*

-- Leonardo da Vinci

*“All men's miseries derive from not being able to sit in a quiet room alone.”*

-- Blaise Pascal

*“All truly great thoughts are conceived by walking.”*

-- Friedrich Nietzsche

*“An important corollary to recognizing that decisions are about probabilities is that decisions should not be judged by outcomes but by the quality of the decision-making, though outcomes are certainly one useful input in that evaluation. Any individual decisions can be badly thought through, and yet be successful, or exceedingly well thought through, but be unsuccessful, because the recognized possibility of failure in fact occurs. But over time, more thoughtful decision-making will lead to better overall results, and more thoughtful decision-making can be encouraged by evaluating decisions on how well they were made rather than on outcome.”*

-- Robert Rubin

*“All models are wrong, but some are useful.”*

-- George E. P. Box

*“Give me six hours to chop down a tree and I will spend the first four sharpening the axe.”*

-- Abraham Lincoln

## On precious metals & commodities

*"It gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head."*

-- Warren Buffett on gold

## On management fees

*"In the investment business, you don't always get what you pay for, but you always pay for what you get."*

-- anonymous

*"Finance is the art of passing money from hand to hand until it finally disappears."*

-- Robert W. Sarnoff

## On the nature and purpose of wealth

*“Wealth consists not in having great possessions, but in having few wants.”*

-- Epictetus

*“Worry and dread are a waste of time and do not set a good example for others. This is especially true regarding your reputation and influence. Why live in fear about things such as whether you will gain public recognition in your profession or community? Or whether you will get the opportunity and perquisites that others do? Don’t be bothered by such concerns as “People don’t think well of me, and I’m a nobody.” Even if your reputation were really to matter, you’re not responsible for what others think of you. What real difference does it make to your character and wellbeing if you have a powerful position or get invited to fancy parties? None at all. So how is there any discredit in not being a power broker or a celebrity? And why should you worry about being a nobody when what matters is being a somebody in those areas of life over which you have control and in which you can make a real difference? “But without power and repute I won’t be able to help my friends,” you might say. It’s true that you won’t give them access to money or the halls of power. But who really expects that such assistance is yours to give and not for others to provide? Who can be expected to give anything that they don’t have? “Still, it would be great to have money and power and to be able to share them with my friends.” If I can get rich and powerful while preserving own honor, faithfulness to family, friends, principles, and self-respect, show me how and I’ll do it. But if I have to sacrifice my personal integrity, it’s stupid and silly to urge me on. Besides, if you had to choose between having a certain amount of money and having a loyal and honorable friend, which would you choose? It’s better if you help me become a good person than to push me to do things that threaten my good character.”*

-- Epictetus

*“This book is a guide to investment success. But my last message to the reader is this: Understand the process, the way you should understand medicine and government, but don’t try too hard yourself. The people who suffer the worst losses are usually those who overreach. And it’s not necessary: Steady, moderate gains will get you where you want to go. Furthermore, trying to achieve great wealth – far more than you need – is in fact irrational. You have to give up too much getting there, and having done it, you’re often worse off than before. Midas is ruined by the gold he craves. Our nature, says Shakespeare, is subdued to what it works in, like the dyer’s hand, and in pursuing great wealth you become a money person. You see the world through dollar-sign binoculars. Then, the exaggeration of any principle becomes its undoing, as the excess of a stimulant becomes a poison, and changing greed from a sin into a commandment dissolves the soul of a family. The children of excessive privilege are often purposeless and morose. And great wealth spoils human contacts. Everybody wants something. Of the Rothschilds it was said that they had no friends, only clients. The hurly-burly of humanity, from which great wealth fences itself off – its joys and trials, the texture of everyday life – is what we’re designed for. Philanthropy, while meritorious, on a large scale becomes a political act: The tycoon who extracts a fortune from the public to build a museum in one place rather than another has not created new beauty, only imposed his priorities on society. The rational and virtuous approach is to trust in a sufficiency of wealth as a by-product of a useful life. Happy are those who find fulfillment in their families, their work, and their civic duties, and hope for the best.”*

-- John Train (postscript to “Money Masters of Our Time”)

*“Seven blunders of the world that lead to violence: wealth without work, pleasure without conscience, knowledge without character, commerce without morality, science without humanity, worship without sacrifice, politics without principle.”*

-- Gandhi

*“Prosperity in a society is the accumulation of solutions to human problems.”*

-- Eric Beinhocker and Nick Hanauer, “Redefining capitalism”, *McKinsey Quarterly Sep 2014*

*“When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have haggardened us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues. We shall be able to afford to dare to assess the money-motive at its true value. The love of money as a possession — as distinguished from the love of money as a means to the enjoyments and realities of life — will be recognised for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease ... But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to everyone that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.”*

-- John Maynard Keynes

*“The day is not far off when the economic problem will take the back seat where it belongs, and the arena of the heart and the head will be occupied or reoccupied, by our real problems — the problems of life and of human relations, of creation and behaviour and religion.”*

-- John Maynard Keynes (“*First Annual Report of the Arts Council*”)

## HELSINKI CAPITAL PARTNERS

### **Helsinki Capital Partners in brief**

*Helsinki Capital Partners Ltd is a Finnish fund and asset management company operating under the supervision of the Finnish Financial Supervision Authority. The company was founded in 2007 and it is fully owned by the operating partners.*

*We strongly believe that all investment management business should be based on transparency and trust. The asset manager should be a genuine trustee of the client, and the investment strategy should always be based on an intimate and holistic understanding of the client’s needs.*