

Book Review

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Winning is the Only Thing

WINNING THE LOSER'S GAME

-Timeless Strategies for Successful Investment (3rd Edition)

By Charles D Ellis - 140 pages - \$54.95

Hardback – ISBN 0070220107

One day in the late 1980's I bought a book that had been recommended in an article I had read and which sounded interesting. It was a slim volume, but little was I to know that it would forever change the way I looked at markets. That book was the first edition of *Investment Policy* by Charles D Ellis. This book has now been revised and expanded under the title *Winning the Loser's Game*, which was the sub-title for the original book.

Charles Ellis has a well-deserved reputation as one of the really fine thinkers about how to go about building wealth in the stock markets. He has an incredibly disciplined mind that has relentlessly pulled back the curtain on why most fund managers and private investors fail to even match the index in stock markets. Far more importantly, he sets out how to do something about it.

When I first read his work, I found it very challenging on several grounds. Firstly, the book is written very concisely. It requires some concentration, because he has packed so much wisdom into such a short book. Indeed, I suspect that some readers will not get beyond the first one or two chapters before they give it away. This will be a grave mistake for anyone who wants to understand the reality of how wealth is created by investing in shares.

Secondly, Ellis destroys the idea that professional fund managers, or private investors, can beat the market by active timing of their market exposure or their portfolio selections. In my experience, most professionals and private investors simply do not want to hear these facts.

Thirdly, Ellis is relentlessly logical and disciplined in his approach to investing. He sets out how to solve the problem of winning the game most people lose. However, most readers will find the necessary discipline to be not what they are looking for, which is an easy solution to making money in the stock market.

If readers survive these challenges, they will find in this book the guidelines they need to meet their lifetime investment goals. This is, of course, one of the most important things we do in our lives. It reminds me of a quotation from a great Australian football player and coach, Ron Barassi: "Winning isn't the most important thing. It is the only thing". Anyone who subscribes to the idea

that they should be totally focussed on winning the battle to achieve their financial goals should read this book.

The original book was directed at professional funds managers and particularly at institutional-type investment trustees. However, if private investors are to understand how to win the game, they must understand how the professionals are playing it. Ellis has woven through the book advice for private investors and points out what they can do, even when they are not able to do everything a fund trustee can do.

Even more importantly, one of the best chapters in the book is *The Individual Investor*, where he really opens up into the ways in which the task of private investors is different to that of trustees and what they should be doing. His “ten commandments” are some of the best guides I have read on the problems of making investment decisions. These are followed in similar vein by ten “friendly suggestions”

Everyone should read this book once a year, just before they review progress toward their investment goals.

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