

Book Review

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The Bible of Growth Investing

COMMON STOCKS AND UNCOMMON PROFITS

And other writings

By Philip A Fisher - 271 pages - \$41.95

Paperback – ISBN 047111927X

Philip Fisher is a remarkable man. He began working in the finance industry in 1928 and one of the first things he did was to warn his employer about the coming big bear market. Then, having been retrenched as the great depression struck his industry, he began his business as an investment adviser and established it in the darkest days of the early 1930s. Most of his original clients stuck with him through the next 40 years, during which he established an enviable reputation for finding outstanding growth stocks.

Philip Fisher is therefore writing about what he did successfully, not some theoretical text that might be written by an academic. This alone makes his book both unique and valuable. The book so impressed Warren Buffett that he sought him out and, having met him, was confirmed in being impressed by the man and his ideas.

The essence of Philip Fisher's approach to investing is that he seeks out the very best growth companies. He does this with the intention of holding them for a long time and only ever selling them reluctantly if they change from being the great growth company he first identified. In doing this he is the ultimate fundamental analyst, looking not just the accounting data, but at the factors that truly distinguish outstanding companies from all the rest.

The book sets out in detail how Philip Fisher goes about finding these companies. He explains in detail the fifteen points he looks for in these companies. He also explains how he goes about getting this information and assessing it. From this he goes on to tell us how to apply this to our own needs, when to buy, when to sell and when not to sell.

While this is of great value, there is more. He sets out for us in detail ten things that investors should not do. These are very valuable and had more private investors read them before the tech and Internet boom, they would surely not have lost as much as they did.

One of his things that investors should not do is to diversify too much. This he seems to have in common with Warren Buffett and one wonders whether one learned from the other or did they come to this independently. Another valuable warning is not to follow the crowd. Now, these tips are fine as general ideas, but Philip Fisher gives practical advice on how to apply the ideas.

Published with *Common Stocks and Uncommon Profits* are two other short books that were written much later. In *Conservative Investors Sleep Well*, Philip Fisher builds on the ideas in his first book. He does this by setting out and explaining in detail the four dimensions to conservative investment. What is interesting is that he is a growth investor and in that sense not what we usually call a conservative investor at all. However, it soon becomes clear that he sees the only real safety in investing being a concentration on the very best companies that will grow significantly over many years.

The other book is his last, *Developing an Investment Philosophy* in which he sets out his career and explains how his ideas developed – the successes and the failures. I found this book fascinating and could not put it down.

This volume is truly a classic. Everyone should read it. Those who do will never look at companies the same way again.

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