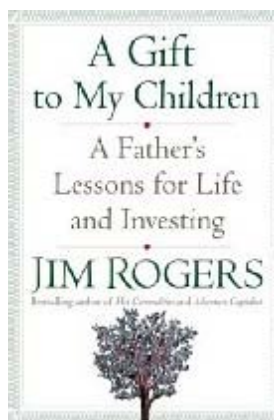


## Book Review: *A Gift to My Children* by Jim Rogers

I picked this book up on a new releases table in Borders in New York. Jim Rogers should be well known to readers. He co-founded the Quantum Fund before he turned thirty and retired at age thirty-seven. Since then, he has travelled the world twice, one trip being totally by motorcycle. He has also served as a sometime professor of finance at Columbia University's business school and as a media commentator worldwide. His previous books are *A Bull in China*, *Hot Commodities*, *Adventure Capitalist* and *Investment Biker*.



This little book is only 85 pages. However, there is a great deal of wisdom within those pages. Rogers wrote the book for his two daughters and sub-titled it “A Father’s Lessons for Life and Investing”. In the Preface, Rogers makes a big claim when he says that the book is “about the larger lessons that I have distilled from my life experiences – lessons that I think investors young and old will in some ways find more useful than anything I have written before”. After reading his little book, I feel that his claim is not without substance.

Chapter one begins the book by challenging us to “Swim Your Own Races: Do Not Let Others Do Your Thinking for You”. He advocates strongly that we should question everything and we should rely on our own intelligence. Rogers is a research freak in that he uncovered every piece of information about a situation before making decisions and learned to rely on his own judgement rather than the views of others. Indeed, he goes further and suggests that “if anybody laughs at your idea, view it as a sign of potential success.” Of course, to rely on an uninformed view is foolhardy and arrogant. However, if we have done the research and thinking in coming up with our view, we may well have a better founded idea than those who spout traditional dogma without considering that circumstances may be different. So, Rogers exhorts us to “be who we are” and “To be original and bold.” Nevertheless, he also exhorts us to be ethical and to save rather than spending money foolishly.

In chapter three, Rogers focuses on something very important that many of us have perhaps forgotten. This that attention to details is what can separate success from failure. This is of great importance in investing where I frequently encounter people who seem amazed that their investments do poorly. Yet the most superficial research would suggest that something was not as it should have been. In this regard, I had an interesting confrontation during the rampant speculation phase of the last bull market. The investor in question believed fervently that there was no need to know anything about what a company was or even what industry it was in. For that investor, the chart and the ASX stock code were all that was needed. Of course, as Buffett says, when the tide goes out, we learn who was swimming naked. If we want to succeed as investors, we need to do the research work before committing money to an idea.

In chapter four, Rogers examines common sense. He advocates that we should use our own native intelligence and think for ourselves rather than blindly following the crowd. We should never forget that the crowd is often right, but never at the turning points. Again, Rogers implores us never to accept anything on face value, no matter how many people believe it. In fact, my experience has been that when everyone seems to believe something is the only true faith, it is usually an unfounded belief. The best investment decisions often mean that we have to do the research thoroughly and think for ourselves. Most often we will then find that we have to go against the overwhelming view. Never is this more important than at tops and bottoms of the stock market cycles.

The worst thing we can do is to believe that what is in the media must be correct. The media is like a mirror. It reflects what the crowd is thinking. If something happens in the market, the media looks to report the reason it is happening. Anything will do to explain the unexplainable. Have you ever read in the media that the market was up or down yesterday, but it was only a normal random fluctuation? No, that does not sell advertising. Instead the journalist must find some story that grabs attention. The veracity of the story is not always as important as having some story to tell.

A substantial chapter of the book focuses on the need to be aware of the world outside our own country. It is easy for us to accuse Americans of being insular in their views, as some kind of way of implying that we are not also insular. Rogers advises us to travel widely and to embrace differences. If you think you do not need this advice then be certain that you do.

In chapter six Rogers returns to the theme that we need to learn to think. He suggests that we study philosophy as a means to improve our thinking skills. Above all he wants his children to learn to think for themselves, just as he did. He gives a simple example of the two ways of thinking – drawing conclusions from observations and drawing inferences from logical analysis. He completes the chapter by reiterating the great opportunities in investment that can come from thinking for ourselves in wild bull and panic bear markets.

A brief discussion on the need to learn history is followed by his primary theme that this is the century of China. Indeed, he has moved his family to Asia to give them a head start in being familiar with what he sees as the future. These chapters are well worth pondering when reading the book and repeatedly over the next few decades as the development of Asia continues before our eyes.

Chapter 10 focuses on the need to know ourselves. No matter how good our analysis of the world around us, if we do not know who and what we are, we cannot become good investors. This is where he moves into what I regard as the last frontier in the development of good investors – psychology. First, we learn analysis, then money management. Yet still we can be unhappy with our results. This is often because we have not learned to understand and deal with the psychology of crowds and, even more importantly, our own psychology. Every one of us is a mass of unconscious biases, which mean that we make poor decisions. For me, this was the last frontier and I am still working on it myself. I am trying to master the skills of decision-making. Looking around me, I find most investors are in denial about this. However, I know it is just a matter of time. The ones who become the best investors will one day arrive at the realisation that the final piece in the jigsaw is to know ourselves and to develop superior decision-making skills.

Chapter 11 deals with change – the need to recognise that everything is constantly changing and the best investors see that and embrace it by looking for the opportunities it will throw up for the thinking investor. This discussion extends into chapter 12 where some of his thoughts include the transitory nature of the nation state. Beyond that he advises us to be careful not to cling to dying industries, countries or languages. Further, he cautions us that the women's era is dawning and that we should pay attention to things that everyone else seems to be neglecting. One brief section is headed "the more certain something is, the less likely it is to be profitable. This is fundamental to investing.

If you doubt how change can creep up on us, consider the list of the top 20 companies by size listed on the ASX in 1979 shown below. How many are still listed?

BHP	<b>Western Mining</b>	<b>AGC</b>
<b>CRA</b>	CSR (no longer in top 20)	Woodside
<b>MIM</b>	ANZ	<b>Dalgety</b>
<b>Hamersley</b>	<b>CJ Coles</b>	<b>North Broken Hill</b>
Bank of NSW (Westpac)	<b>Myer Emporium</b>	<b>Howard Smith</b>
<b>Bougainville</b>	<b>ICI</b>	<b>Utah Mining</b>
<b>Comalco</b>	National Bank	

The ones in bold type have gone in the last 30 years. So, only six remain and one of them is no longer a top 20 company. Change is the only constant.

Then Rogers turns his attention to wishful thinking. Never be carried away with what you hope will happen, rather than check the facts and draw conclusions separate from the mob view. This is advice from the true contrarian thinker, who made his own fortune doing exactly that. Above all he cautions us that we need to know when it is best not to do anything. This is when we have been successful and think we know it all. This is our most vulnerable moment, when following the crowd or trying to repeat tactics that worked in the past in possibly changing situations can bring us undone.

Rogers has written a short book, which page for page is quite costly to buy. I am glad I bought it and will read it more than once when I need to step back and think about what I am doing.