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There is never a 'good' time

BY FRANCOIS ROCHON, THE GAZETTE MARCH 15TH, 2011

Forget the noise. Investing is about owning businesses!

Last week, the stock market went down two per cent in one day due to geopolitical worries. Events happening in Libya, China or elsewhere for that matter seem to be reason enough for investors to sell their shares. And, as usual, many market "experts" are cackling about a possible market correction.

It's not the first time that Libya is in the news. For example, in April 1986, the U.S. bombed Libya in response to a bombing at a Berlin nightclub (remember that?). The Dow Jones industrial average was at 1,800 that day. Including dividends, it has returned 10 per cent annually since then (for a total return of 1,100 per cent). You would have made 12 times your money in 25 years even though there were three stock market crashes since then (1987, 2002 and 2008). By owning great companies, you can just forget about all the noise and the irrational market fluctuations. And slowly get rich.

I've been investing for almost 20 years now and have had my shares of major and minor crises. It seems to me that there is always something to worry about. If I had waited for a "good" time to invest in the stock market, I'd still be stuck at "GO" on the Monopoly board.

I remember that, in 1994, there was a small crisis in Orange County (yes, it is in California) and the Dow dropped to 3,600. Including dividends, it has returned nine per cent annually since then (you've made more than four times your money). I bought shares of Intel in 1994 and it went up 500 per cent in the four years that followed. A year or so later, in October 1995, there was a referendum in Quebec. Any Quebec-based company was available at a bargain price. On that very day, I bought shares in my favourite small company: BMTC Group. The stock doubled within three years and went up 40-fold in the following 15 years. And no! I was not smart enough to hold my shares for all those years. If I had, I would be writing this column from the Bahamas.

It turns out that I've made some of my best purchases during crises. In October 1998, the Asian Crisis was at its climax in addition to the highly publicized failure of Long Term

Capital Management (ever heard of it?). The Dow Jones went down 12 per cent in a few weeks and the Hong Kong market was down 50 per cent. So I decided to invest in a Hong Kong fund (the Templeton Dragon Fund). I did not know any companies from Hong Kong, but I knew a fund manager that did and I could buy his fund at a huge discount (and the yield was 15 per cent). The stock went up many times in the years that followed.

I made three other investments during that month: JDS Fitel, Bed Bath & Beyond and Fastenal. JDS did well for a few years (and even became a market darling for a while). Bed Bath & Beyond had gone up fourfold in seven years when I decided to sell it. And Fastenal is up 1,000 per cent in 12 years and I still own it today. I don't pray for crisis but when opportunities knock, I answer the door. I don't use the deadbolt!

This brings me to a very special event: the two-year anniversary of the great market low of March 2009. As many were predicting nothing less than the end of the capitalist era, there were investment opportunities beyond my wildest dreams.

I was interviewed on TV and in the newspaper shouting that this was the "opportunity of a generation." As others were explaining to me that "this time, it was different," I was looking for every dollar I could find to buy shares in three U.S. financial stocks: M&T Bank, Wells Fargo and American Express. The three stocks are up 150 per cent, 200 per cent and 300 per cent respectively.

I'm not smarter or more educated than most investors. I'm just more rational. I know that stocks represent fractional ownership in businesses and that, over time, the stock market will reflect their true intrinsic values. And crises bring worries and fears that make many investors forget that simple fact. So I'm willing to buy stocks not because I don't see the problems of our civilization but in spite of the problems.

I don't know what the market will do tomorrow, next month or next year. But I do believe that in 10 years, the Dow Jones will be in the 25,000 range. And in those 10 years, there will be plenty of political crises, probably another recession, worries about the Middle East, a few revolutions here and there and surely ups and downs in the market.

So my advice is simple: Just forget about the perpetual noise and acquire shares of great companies when they are cheap.

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