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The best 50 minutes you will spend this year

"Larry Fink [the CEO of BlackRock] was having lunch with the CEO of one of the largest sovereign wealth funds and the CEO of the sovereign wealth fund said, "Our goal as investors is to think generationally. We're not thinking about this quarter or next year or even the next 10 years, we're thinking about the next generation and the generation after that." And Larry Fink said, "Great, how do you measure returns?" And the CEO said, "Monthly."

- From Morgan Housel, *What Other Industries Teach Us About Investing*.

"Sir, Perhaps millennials should spend their £10,000 payout on a course of therapy to spare them the stress of receiving voicemails and to cure their nervousness of having sex (Reports, May 7) ?"

- Letter to *The Times* from Ian Spedding of Stalybridge, Greater Manchester.

We live in a golden age of information. Anybody reading this commentary also has an entire virtual Library of Alexandria at their fingertips, with wisdom from the ages accessible almost instantaneously and at more or less zero cost. If we choose to spend our time exclusively on kitten videos, well, that's a choice too. While the signal to noise ratio in the online universe could clearly be boosted, every so often one comes across a beneficial marvel that makes up for all the rest, and then some. This week we chanced upon what is almost certainly going to be the best presentation on investment we will see this year. To whet your appetite, here is how other viewers described it: "One of the best pieces on investing yet"; "Wonderful presentation"; "Great stuff.. Amazing.."; "Pure genius"; "Just fantastic. Rarely have I seen such a well researched and pertinent presentation. Congratulations !"

The presentation in question is by Morgan Housel of The Collaborative Fund and is titled What Other Industries Teach Us About Investing. You can read the transcript here.

It seems inequitable to cite too many highlights – Morgan did the work after all, not us – but here is a nice anecdote from the introduction to his presentation:

> Let me start today with a story of two investors, neither of whom knew each other, but their paths kind of serendipitously crossed a few years ago. The first is a lady named Grace Grahner. Grace was born in 1909, just right outside of Chicago nearby. And she had kind of a hard life. She was orphaned as a child, she began her career in

the bottom of the Great Depression. Finally found a career as a secretary, where she worked her entire life. Never married, never had kids, never learned how to drive a car. Lived almost her entire life in a one room house, not far from here.

By all accounts, she was a lovely lady, but lived kind of a sad life. And Grace Grahner died in 2010, she was 100 years old. And everyone who knew her was completely shocked to learn, when she died, that she had seven million dollars to her name, that she left all of it to charity, and that began kind of a search among the people who knew her, that said, "How does this humble secretary accumulate seven million dollars?" And her secret was, she really had no secret at all. She saved what little she could, she put it in the stock market, she let it compound for 80 years and that was it, end of story.

The second investor I want to talk about today is a guy named Richard. Save his last name, because you're not supposed to criticize people in public. Although I do a lot. Richard had almost the exact opposite background of Grace Grahner. Born into a wealthy family, went to the University of Chicago, got his MBA at Harvard Business School, went to work on Wall Street, worked his way up at some of the biggest investment firms, became the vice chairman of one of the largest investment banks and without exaggerating was one of the most powerful people in global finance.

The day after Grace Grahner died, Richard filed for personal bankruptcy. He told the bankruptcy judge that the financial crisis completely wiped him out, he had no more assets, no more income and he was fighting to save foreclosure on his house. And what's interesting about these stories, I think, is that in no other industry except finance are those stories possible. There's no other industry in which someone with no education, no background and no experience can vastly outperform someone with the best background, the best education, the best experience.

It's unthinkable that Grace Grahner could have performed heart surgery better than a Harvard-educated cardiologist, or built a skyscraper better than the best construction company. It's completely unthinkable that that could ever happen, but it happens in investing. And what I think it shows is that investing is not necessarily about what you know, it's about how you behave. And behaviour is hard to teach. It's not analytical, you can't sum it up very well, hard to measure, a lot of it is counterintuitive, and because of that you have some of the most important parts of investing, this topic of behaviour, that gets kind of swept under the rug..

Not having read Economics (and being belatedly grateful for a lucky escape), there's a reason why the only economics that we study today is behavioural. If you've enjoyed his presentation, you can follow Morgan on Twitter via @morganhousel. We live in a golden age of information.

Tim Price is co-manager of the VT Price Value Portfolio and author of 'Investing through the Looking Glass: a rational guide to irrational financial markets'. You can access a full archive of these weekly investment commentaries here.