

# PRICE VALUE PARTNERS

## This too shall pass

“6/5/17 #Transphobic #hate 8 #BurgessHill – Non-crime hate incident – Name calling between children. Under Investigation.”

- Tweet from Sussex Police’s ‘Hate Crime Sergeant and Trans Equality Advocate’, Sergeant Peter Allan. Not a parody account, apparently.

**One of the** most successful film adaptations of a Stephen King novel is David Cronenberg’s 1983 thriller *The Dead Zone*. The title refers to the eerie field of vision that its protagonist, schoolteacher Johnny Smith (Christopher Walken), sees when he catches glimpses of the future. In the film’s most chilling sequence, Johnny shakes hands with the campaigning Senatorial candidate Greg Stillson (Martin Sheen), and foresees [this](#).

The idea that the US could elect an unstable, trigger-happy lunatic who sets off a nuclear war is, happily, fanciful.

But if any situation warrants adopting Rolf Dobelli’s [News Diet](#), we are surely living in it today. As Dobelli suggests,

News is to the mind what sugar is to the body..

News reports do not represent the real world. Our brains are wired to pay attention to visible, large, scandalous, sensational, shocking, people-related, story-formatted, fast changing, loud, graphic onslaughts of stimuli. [Note that almost every adjective in the previous sentence happens to apply to Donald Trump.] Our brains have limited attention to spend on more subtle pieces of intelligence that are small, abstract, ambivalent, complex, slow to develop and quiet, much less silent. News organizations systematically exploit this bias.

News media outlets, by and large, focus on the highly visible. They display whatever information they can convey with gripping stories and lurid pictures, and they systematically ignore the subtle and insidious, even if that material is more important. News grabs our attention; that’s how its business model works. Even if the advertising model didn’t exist, we would still soak up news pieces because they are easy to digest and superficially quite tasty.

The highly visible misleads us.

And this just addresses so-called ‘real’ news – when much of what passes for news, especially amongst millennials, could fairly be described as ‘fake’. Reviewing three new books for the

LRB on the topics of social media, Google and Facebook, [John Lanchester](#) writes as follows about one of the world's most valuable companies (by market capitalisation, at any rate):

The fact is that fraudulent content, and stolen content, are rife on Facebook, and the company doesn't really mind, because it isn't in its interest to mind. Much of the video content on the site is stolen from the people who created it. An illuminating YouTube video from Kurzgesagt, a German outfit that makes high-quality short explanatory films, notes that in 2015, 725 of Facebook's top one thousand most viewed videos were stolen. This is another area where Facebook's interests contradict society's. We may collectively have an interest in sustaining creative and imaginative work in many different forms and on many platforms. Facebook doesn't. It has two priorities, as Martínez explains in *Chaos Monkeys*: growth and monetisation. It simply doesn't care where the content comes from. It is only now starting to care about the perception that much of the content is fraudulent, because if that perception were to become general, it might affect the amount of trust and therefore the amount of time people give to the site.

Zuckerberg himself has spoken up on this issue, in a Facebook post addressing the question of 'Facebook and the election'. After a certain amount of boilerplate bullshit ('Our goal is to give every person a voice. We believe deeply in people'), he gets to the nub of it. 'Of all the content on Facebook, more than 99 per cent of what people see is authentic. Only a very small amount is fake news and hoaxes.' More than one Facebook user pointed out that in their own news feed, Zuckerberg's post about authenticity ran next to fake news. In one case, the fake story pretended to be from the TV sports channel ESPN. When it was clicked on, it took users to an ad selling a diet supplement. As the writer Doc Searls pointed out, it's a double fraud, 'outright lies from a forged source', which is quite something to have right slap next to the head of Facebook boasting about the absence of fraud. Evan Williams, co-founder of Twitter and founder of the long-read specialist Medium, found the same post by Zuckerberg next to a different fake ESPN story and another piece of fake news purporting to be from CNN, announcing that Congress had disqualified Trump from office. When clicked-through, that turned out to be from a company offering a 12-week programme to strengthen toes. (That's right: strengthen toes.) Still, we now know that Zuck believes in people. That's the main thing.

In short, whether the news we (choose to) consume is 'real' or fantasy, it shouldn't make much or indeed any difference to how we behave, whether in the context of our investments, or anything else. Warren Buffett takes up [the story](#) in his annual letter to Berkshire Hathaway shareholders in 2014. Buffett purchased a 400-acre farm (at a distressed valuation) in 1986. In 1993 he followed up with the purchase, again at a giveaway price, of a retail property next to New York University:

You don't need to be an expert in order to achieve satisfactory investment returns. But if you aren't, you must recognize your limitations and follow a course certain to work reasonably well. Keep things simple and don't swing for the fences. When promised quick profits, respond with a quick "no."

Focus on the future productivity of the asset you are considering. If you don't feel comfortable making a rough estimate of the asset's future earnings, just forget it and

move on. No one has the ability to evaluate every investment possibility. But omniscience isn't necessary; you only need to understand the actions you undertake.

If you instead focus on the prospective price change of a contemplated purchase, you are speculating. There is nothing improper about that. I know, however, that I am unable to speculate successfully, and I am skeptical of those who claim sustained success at doing so. Half of all coin-flippers will win their first toss; none of those winners has an expectation of profit if he continues to play the game. And the fact that a given asset has appreciated in the recent past is never a reason to buy it.

With my two small investments, I thought only of what the properties would produce and cared not at all about their daily valuations. Games are won by players who focus on the playing field -- not by those whose eyes are glued to the scoreboard. If you can enjoy Saturdays and Sundays without looking at stock prices, give it a try on weekdays.

Forming macro opinions or listening to the macro or market predictions of others is a waste of time. Indeed, it is dangerous because it may blur your vision of the facts that are truly important. (When I hear TV commentators glibly opine on what the market will do next, I am reminded of Mickey Mantle's scathing comment: "You don't know how easy this game is until you get into that broadcasting booth.")

My two purchases were made in 1986 and 1993. What the economy, interest rates, or the stock market might do in the years immediately following -- 1987 and 1994 -- was of no importance to me in determining the success of those investments. I can't remember what the headlines or pundits were saying at the time. Whatever the chatter, corn would keep growing in Nebraska and students would flock to NYU.

All we endeavour to do is try and emulate Buffett, not least in a) his heroic ability to ignore the passing wave of news trivia, but chiefly b) in his ongoing search for compelling valuations that will inevitably be found far away from the madding crowd.

The missiles may yet fly in North Korea, but there's frankly not much that any of us can realistically do about it. Life, meanwhile, and the rest of the economy, goes on.

[www.pricevaluepartners.com](http://www.pricevaluepartners.com)



@timfprice

*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](#).*

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