

Marks, Howard – The Most Important Thing

Columbia University Press, 2011, [Finance] Grade



Wisdom and wit, that's what you get when one of the most seasoned investors receives decades of writing practice before he publishes his first book. Howard Marks is the founder of Oaktree Capital Management which for 30 years been a hugely successful investor in distressed debt but also equities and other assets they deem undervalued. Marks also publishes a widely read market letter. "When I see memos from Howard Marks in my mail, they're the first thing I open and read." says Warren Buffett. According to Marks the contents of the book is his creed, his investment philosophy, what he really believes in.

This is a book on how to think about investments rather than a book full of facts. The title of the book alludes to the fact that Marks realized that in discussions with clients he would say that the most important thing in investing is X, then a few minutes later he would say the exact same phrase regarding Y and then again about Z that supposedly would be the most important thing and so on. All and all the book discusses 20 most important things. I would argue that it's combining all these factors in an intelligent manor that is the ultimate important thing.

The book combines new text and material previously published in memos into chapters that one after one covers one new important thing. The chapters cover topics like second-level thinking, controlling risk, being attentive to cycles, finding bargains, knowing what you don't know, appreciating the role of luck, avoiding pitfalls etc. The writing is fun, easy to read and deep in investing insight at the same time. You feel like your wise old favourite uncle is sitting there and telling you stories to amuse you. Perhaps one or two of the most important things are really verities of the same thing, but as they are extremely important that's easily forgiven.

In the introduction Marks states the ambition to present investment thinking the reader haven't come across previously. "Heaven for me would be seven little words: "I never thought of it that way before"." Given that I have read a minor Alexandrian library of investment literature this struck me as slightly optimistic. I was wrong. On more than a few occasions there was a thought that on the one hand was obvious but that I hadn't considered before, or an illustration that put unstructured thoughts I've had into the natural order etc. I loved this book. It's actually the most inspiring new investment reading in many years.

If you invest in corporate debt you should read this book. If you invest in equities you should definitely read it. If you are new to investing this is a short cut to 40 years of accumulated experience. If you have been in the game for a long time you will appreciate the finer nuances and subtleties. Everybody will learn something. If nothing else please read the three chapters on understanding, recognizing and controlling risk, they will save you a lot of headaches during the remanding of your career. The only problem with the book is that you want more. Not more important things, but more concrete applications of how to use some of the thoughts in practice. We got the investment philosophy - I want the strategies and processes as well.

As most successful investors would agree with, Marks states that the key to his success has been an philosophy that has been refined over long time and implemented by skilled individuals that share culture and values. You will not get that full success package complementary with the book but the "important things" will contribute greatly to anyone. Few have been investing for as long as Marks, almost none has been thinking so deeply on investments meanwhile.

Mats Larsson, August 1, 2011