

Ashworth-Lord, Keith – Invest in the Best

Harriman House, 2016, [Equity Investing] Grade ★★★★★

The author of this text on stock selection is touted as the Warren Buffett of the UK. This is a bit unfair since, to me, Keith Ashworth-Lord displays a distinct investment personality of his own. He's not simply a Buffett clone. The author has more than 30 years' experience from sell-side research, corporate finance and recently he in 2011 set up the successful UK Buffettology Fund that since has received a 5 star rating from Morningstar. *Invest in the Best* presents Ashworth-Lord's investment philosophy and the search process he uses to find stocks to invest in.

It's not an extensive writing so it's a relatively easy read. Just like Buffett, after he moved on from Ben Graham's deep value investing, the author advocates investing in high quality companies. About 100 of the 130 pages are dedicated to defining what this means in practice. The remaining pages address valuation technique and very shortly touch on portfolio management.

Admittedly, there are several Buffett-like features in Ashworth-Lord's investment philosophy like keeping within a circle of competence, viewing investments in stocks as a part ownership of a business, only buying with a margin of safety and the strong focus on predictability in the business model of potential investments to be able to assess the intrinsic value of the business to start with. Further, there's certainly nothing in the author's process that contradicts Buffett's views - even though Buffett normally considers the role and character of corporate management more extensively than this text does.

The reason I want to point to the independent character of the author is that there is further a pronounced and complementary influence from the 1990s economic value added (EVA) methodology in Ashworth-Lord's writing. It's a rather tasteful mix since the EVA approach adds a touch of financial stringency on how shareholder value is created to Buffett's common sense and sound principles.

Mats Larsson, Aug 20, 2016

A book on investment philosophy can have its emphasis on either the science or the art of the investing process. With art I mean the judgment and intuition around which factors should be included but also how to weigh them together to a coherent, rational and personal method. The science part could either emphasize academic, quantitative and statistical topics or the craftsmanship of company analysis and valuation.

This book has its focus on the craft of security analysis. Buffett supplies the solid philosophical framework and then the author adds on the practical details on how to get the job done. Still, it's not a textbook. For example, there are thick primers covering the technique of discounted cash flow analysis. Here DCFs are covered in 4-5 pages. Rather it's a book that tries to show which tools a skilled artisan should use and why they and nothing else are the rational choice. The usage of financial ratios and valuation methods are extensively exemplified by case studies of a number of UK small and mid cap companies.

I appreciate the author's obvious interest and knowledge in financial accounting. Too few investors know their accounts. The language is first-rate, the text has a good flow and tempo and I like the tone. It's clear that the author has plenty of experience and he dares to be personal. Also, *Invest in the Best* is refreshingly clean from the customary Buffett quotes.

I'm not equally impressed with the limited attention given to additional aspects of portfolio management apart from searching for and selecting securities. Position sizing, risk management and selling holdings are important topics worthy of more than 3-4 pages. Further, even though the book explicitly isn't written as a beginner's guide some fairly basic topics are now and then explained to the readers.

All in all, standing on the shoulders of the Sage of Omaha, the author has written a brisk and practical text on how to find good companies to invest in.