



**KERR
NEILSON**
AUSTRALIA



Investor profile at InvestingByTheBooks: The book *The World's 99 Greatest Investors: The Secret of Success* provides a unique opportunity to learn from the most prominent investors globally. In the book they generously share their experiences, advice and insights and we are proud to present these excerpts. Magnus Angenfelt, previously a top ranked sell side analyst and hedge fund manager, will be presenting one investor per month. For those who cannot wait for the monthly columns, we strongly recommend you to buy the book. The investor himself writes the first section below and then Angenfelt describes the background of the investor and comments on his investment philosophy. Enjoy.

There are clearly many ways of taking opportunities that markets present, but the recurring behavioural tendency that we try to exploit is investor's persistence in overemphasizing the recent event. Though one likes to believe that markets are rational and the world around one is orderly, the reality is probably the very opposite. When something untoward occurs, this is most unsettling to investors and they tend to overreact. This invariably offers wonderful opportunities for those willing to take a different course. An everyday example of this phenomenon was the collapse of air travel immediately after 9/11, even though it was arguably one of the safest times to fly. Another tendency that causes investors mischief is to extrapolate

enthusiastically. One can recall the palletload of books on Japanese business supremacy at the peak in 1990, and yet all of that is now forgotten, and today we are extrapolating the demise of this nation epitomized by many stocks selling at less than their cash and investment value, i.e. no value placed on their underlying and profitable businesses, and the market as a whole selling at only book value. This clearly is an opportunity for independent-thinking investors.

The greatest problem facing any analyst/fund manager is that we are invariably voyeurs and heavily influenced by the PR machine of the entity we are examining. The creation of this 'energy shield' is exacerbated by the hunger of the media for celebrity and glitz. When an entity reaches an exalted position on the list of the nation's most admired companies, that is precisely when one should be on one's guard and seek out non-corroborative evidence. There are numerous examples of this exalted status being matched by overpriced valuations for companies such as Coca-Cola, GE, Sony, and, more recently, Toyota. (Building new flash headquarters and a CEO addicted to the adoration of the press are as reliable signs of internal rot as you are likely to get.) We have always found the trends will surprise us for their durability. The mistake we have often made is dismissing the slogan in the early days as being nothing more than that. What come to mind here are the overused sayings of the 1980s and 1990s, like 'shareholder value' and 'sweating the balance sheet'. These movements persisted

much longer than we would have believed, and in the case of 'shareholder value', was really code for the subterfuge of transferring partial

ownership from shareholders to company management via stock options, in some cases on an extraordinary scale.

BORN Johannesburg, South Africa 1949.

EDUCATION Neilson graduated with a BA in Commerce from the University of Cape Town, South Africa, in 1971.

CAREER He began his career in London working for Courtaulds Pension Investments in 1971, and moved back to South Africa in 1974 where he established a research department for Anderson Wilson in equities research. He moved to Australia in 1984 to work with Bankers Trust, where he ran the retail funds management division. In 1994, aged 44, he founded Platinum Asset Management, a specialist international equity manager. He is still the chief investment officer.

INVESTMENT PHILOSOPHY Neilson is a contrarian stock market value investor. He looks for good, out-of-favour, undervalued equities in all major geographical markets for long-term holdings. Before investing he requires contextual understanding of the company's place in its industry. This obviously requires a good understanding of the industry, the principal competitors, and the personality of individual companies. The most important valuation parameter is the company's intrinsic value. From time to time he uses shorting as a protection. His present portfolio consists of 150 different positions.

OTHER Neilson established Platinum with support from George Soros. He manages at present around \$23 billion. His best investment to date is accumulating a lot of Peruvian shares when the terrorist organization the Shining Path was attempting to take control of Peru. Forbes recently estimated his wealth to be \$2.7 billion, which places him among the ten wealthiest Australians. Neilson started to invest in the stock market at the age of 13. Commentators have called him 'the Warren Buffett of Australia'. His hobby is modern Chinese art.

Sources: Kerr Neilson; Platinum International Fund; Fairfax Media; Wikipedia.