



**JIM  
SLATER**  
UK



**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.

The first key point is to focus on a relatively narrow area and become very expert in it.

The second and most important thing is to cut losses and run profits. Most people do the opposite – they tend to snatch profits and hug losses. In this way inevitably they end up with big losses and small profits instead of the other way around.

The third point is to concentrate on growth shares with forward price earnings ratios less than their future growth rate.

The fourth point is that I am great believer in the importance of cash flow. I always make sure that EPS are exceeded by cash flow on a regular basis. In this way I eliminate potential Enrons.

**BORN** Chester, UK 1929.

**EDUCATION** Slater left grammar school at the age of 16 and became a Chartered Accountant when he was 24.

**CAREER** Slater spent his first nine years after school in industry, culminating in his appointment as deputy sales director of the Leyland Motor Corporation. After successfully writing an investment column under the pseudonym 'Capitalist'—the ghost portfolio of 'Capitalist' appreciated by 68.9 % against the market average of 3.6 % – in 1964 he launched Slater Walker Securities, which collapsed in the wake of the secondary banking crisis of 1973–75. Slater famously found himself to be a 'minus millionaire', owing £1 million more than his assets. Within a few years he repaid all of his debts with interest. In 1976 he started to invest in property and later in the mining industry as well as biotech and agriculture. In early 1990 he devised a public company statistical guide, Company REFS, for investing based on his investment principles. Since 1975 Slater has been a very active stock market investor and remains so today.

**INVESTMENT PHILOSOPHY** Slater is a small-cap growth stock market investor. The key figure in his investment approach is the price–earnings growth factor (PEG). A PEG of below one, with earnings growth higher than the multiple, is attractive. His approach is similar to Peter Lynch’s, and there is some debate over which of the two devised the PEG. There is, however, no doubt that Slater popularized it in the UK. In addition, Slater demands that a company should show cash flow in excess of earnings and it must have been growing for at least the last three years. Also the company should not be over-gearred. His preference for small companies is based on the conviction that ‘elephants don’t gallop’, an expression that he coined. Slater mainly depends for his investments on public data; however, he requires at least three analysts’ forecasts before investing. The management’s behaviour in terms of their buying shares and being optimistic in their annual reports are also important parts of his approach. Slater has a humble attitude to the market and does not attempt to forecast which way it is going at any point in time. He regards running profits and cutting losses as a key factor in successful investment. His investment style is probably one of the most accessible in the book.

**OTHER** Despite not managing other people’s money, there is a lot of evidence of Slater’s investment strategy being successful. His business column and recommendations over the years have proved to be very profitable. A public fund based entirely on his principles would be up 188 % against the market’s 73 % in the last three years, and 77 % up over the market’s 7 % during the last five years. Slater is first and foremost known in the UK for trying to help the man in the street invest successfully. He has written five investment books as well as thirty books for children. He is still a very active investor and still answers questions about investing on his homepage.

*Sources: Jim Slater; [www.jimslater.org.uk](http://www.jimslater.org.uk); MFM Slater Growth Fund.*