

Ang, Rusmin & Chng, Victor – Value Investing In Growth Companies

Wiley, 2013 [*Equity Investing*] Grade ★★ ★

To succeed in the equity market it is important not to succumb to the psychology of the market. Vital to this resilience is then to have - or cultivate - the right mindset but also to follow sound investment philosophies and stringent processes. Rusmin Ang and Victor Chng, two Singapore based chief investment analysts at 8 Investment, the largest value-investing network in Asia, offer to guide readers of their book *Value Investing In Growth Companies* to just this.

The preface and the first chapter gives an account of the journeys that the authors have made – both personally and with regards to becoming devoted value investors ingrained in the teachings of Warren Buffett, Peter Lynch, Philip Fisher, Ben Graham, Charlie Munger, Anthony Bolton and the like. After a chapter on how to understand investment psychology the main part of the book is then dedicated to the duo's research method called the Jigsaw Puzzle, focusing on the business of the company, the management, the financial results it produces and the valuation of the shares. Lastly, they finish off with some thoughts on practical implementation and portfolio management (including screens to filter out good prospect stocks) plus how to avoid common mistakes.

I appreciate that the authors start by laying the groundwork discussing investment psychology and they also correctly caution readers from using their method if they don't have the constitution for it. There are many ways to invest; you should chose one that fits your personality. Further, the method in itself requires the investor to take certain steps and to make sure firm objective criteria are met before investing in a stock, which in itself gives some protection from being psychologically swept off ones feet by the latest glamour stock.

Although useful for professional investors, I would argue that this is primarily a book for private investors interested in investing in small-cap, GARP-type of stocks – or GAUP as the authors' calls it; Growth at Undervalued Prices. The prospect companies are those with simple understandable business models but the method still requires the investor to do a fair amount of “scuttle-butting” à la Fisher and store visiting à la Lynch so there is some fair amount of labor required. I must admit that I find the method and the book a bit commonplace – robust, correct and well crafted but not something out of the ordinary. The amount of detail and depth in the book isn't huge. This doesn't prevent it from potentially being incredibly operational for the private investor if well used. It is often more important to find a good practice – which this is – stick with it and perfect it, rather than to constantly chase after an illusive perfect method. Depth and detail can be added by the investor himself from real world experiences.

As a Western European, one main take from the book is that investing is pretty much the same wherever you practice your craft. There are some culturally distinctly Asian features such as the authors' unabashed declarations to become rich which is more socially accepted in a part of the world where such large parts of the populations have managed to do so in a relatively short period of time and there are obviously references made to the quite speculative stock markets in south east Asia. Also, companies and specific persons differ from what a westerner is used to. Still, there is nothing specifically Asian about the philosophy or the research process – instead it should be universally valid for all.

This is an able book on investing in smaller growth companies that could serve its reader well but it offers no real revelations.

Mats Larsson, December 20, 2018