

WATHEEQA INVESTOR DIGEST

About WID

Issue-05, 29-October-2009

Some of the world's renowned investors when asked what makes them great – the unusual but common answer is “We read and think”. The main goal of WID is to bring our clients the best interviews, articles, research and thought provoking material that we come across, read and thoroughly enjoy. Our collections are old, nevertheless timeless treasures while some are recent and highly recommended.

We thought; why not put these gems together each month and share the collective wisdom of what we read. WID is our contribution from that inspiring idea. We truly believe – what you read and how much of that you internalize; reflects who you are. We suggest you archive our premium collections; read them and re-read them.

Inspirational Figures – Benjamin Graham

The authors – Paul Orfalea, Lance Helfert, Atticus Lowe, and Dean Zatkowsky of West Coast Asset Management pay their tributes to the father of value investing – Benjamin Graham.

The authors write “One of the strongest points Graham repeated throughout his career emphasized the importance of distinguishing investing from speculation, and choosing only to engage in the former. “Investing is most intelligent when it is most businesslike,” wrote Graham. He insisted that stock not be viewed as a piece of paper bought and sold based on price, but as a share of ownership in a real company. Thus, as in our own entrepreneurial investing style, Graham focused on the company, not the stock; the value, not the price.” [Read more](#)

Source: [West Coast Asset Management](#) **WID**

Inspirational Figures – Bernard Baruch

The authors – Paul Orfalea, Lance Helfert and Atticus Lowe of West Coast Asset Management pay their tributes to one of the greatest investors in history – Bernard Baruch.

The authors summarize Baruch's six quotes on the stock markets as gold mine of good advice for the investors. And that profound advice is:

- Don't try to buy at the bottom and sell at the top. It can't be done except by liars.
- I made my money by selling too soon.
- I never lost money by turning a profit.
- If a speculator is correct half of the time, he is hitting a good average. Even being right 3 or 4 times out of 10 should yield a person a fortune if he has the sense to cut his losses quickly on the ventures where he is wrong.

- The main purpose of the stock market is to make fools of as many men as possible.
- When good news about the market hits the front page of the New York Times, sell. [Read more](#)

Source: [West Coast Asset Management](#) **WID**

Too big to fail or too complex to succeed

Two interesting articles about Wall Street and the banking crisis appeared recently. A story headlined “[It Wasn't Me](#)” in the October 10th issue of *The Economist* suggests that instead of declaring banks “too big to fail,” we should recognize such institutions as “too big to run.” The other article was a humorous editorial by Calvin Trillin for *The New York Times*.

These articles remind us that the complexity of an organization matters more than its size. Exxon Mobil is indeed a huge enterprise, but a relatively simple business focused entirely on energy. We remain wary of General Electric, on the other hand, not because of its size, but because it is a complex web of seemingly unrelated companies that has a massive debt load and is heavily reliant on inexpensive borrowing. At some point CEOs must accept the role of the “mere mortal” and simplify the business to allow greater oversight, also known as management.

[Read more](#)

Source: [West Coast Asset Management](#) **WID**

Wall Street Smarts

Calvin Trillin in the Op-Ed of The New York Times begins “if you really want to know why the financial system nearly collapsed in the fall of 2008, I can tell you in one simple sentence.” [Read more](#)

Source: [The New York Times](#), October 13, 2009 **WID**

Too Much Trust, Too Little Worry

Howard Marks, Chairman, Oak Tree Capital Management writes “In past market crashes, it was relatively easy to narrow the list of causes and culprits: the Arab oil embargo in 1973; Long-Term Capital Management in 1998; bubblish technology stocks in 2000; Enron and the overbuilt telecommunications industry in 2002. Seventy-six years ago, Ferdinand Pecora named names in “Wall Street Under Oath,” a scathing indictment of bank behavior during the Roaring Twenties. But in this crash, there are literally too many contributors to enumerate.” [Read more](#)

Source: [The New York Times](#), October 5, 2009 **WID**

WATHEEQA INVESTOR DIGEST

Share the wealth

In this age of information bubble, reading materials that truly inspire and further our learning – are far and few. That's the reason we chose to identify the best and share the wisdom with our readers.

Please send us your feedback and any article, reports, links that you find are valuable keeping in mind the spirit of WID. This way we can learn together and much faster.

You may email us at: intelligentinvestors@watheeqa.com

WATHEEQA CAPITAL COMPANY

Kuwait Chamber of Commerce Building, 9th Floor

PO Box 28009, Safat 13141, Kuwait

Tel: +965-22913424 Fax: +965-22473337

Disclaimer

This publication is compiled and published by Watheeqa Capital Company ("WATHEEQA"), a licensed investment company regulated by the Central Bank of Kuwait and by accepting this publication you agree to be bound by the foregoing terms and conditions.

WATHEEQA has prepared this publication for general information purposes only and this does not constitute a prospectus, offering document or circular or offer, invitation or solicitation to purchase, subscribe for or sell any security, financial product or other investment instrument ("Investments"), or to engage in, lead into, conclude or refrain from engaging in any transaction.

In preparing this publication, WATHEEQA did not take into account the investment objectives, financial situation and particular needs of the recipient. Before making an investment decision on the basis of this publication, the recipient needs to make its own independent decision, preferably, with the assistance of a financial adviser, in evaluating the Investment in light of its particular investment needs, objectives and financial circumstances. Any Investments discussed may not be suitable for all investors; there are risks involved in trading in or dealing with Investments and it is highlighted that the value, yields, price or income from Investments may go up or down. WATHEEQA does not and shall not be deemed (directly or indirectly) to render any advice as regards the degree of risk of the Investment. This publication does not purport to disclose all the risks associated with the Investment. The recipient should make its own financial, legal and tax determination (including as regards any applicable exchange control regulations).

Changes in rates may have an adverse effect on the value, price or income of Investments. Past performance of any Investment is not indicative of future performance. The price of Investments can and does fluctuate, and an individual Investment may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, compliance with applicable legislation and registration requirements, which may adversely affect the value of the Investment. Any prices set out in this publication are for indicative purposes only; such prices may vary in accordance with market fluctuations and other market conditions.

The information contained herein has been obtained from sources believed to be reliable but have not been independently verified. WATHEEQA makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness and it should not be relied upon as such.

The information contained herein is not intended to provide professional advice but merely an independent assessment of the relevant sector, outlook and market feasibility of the business. WATHEEQA shall not be deemed to endorse, recommend, approve, guarantee or promote nor to give any warranty in respect of such information unless otherwise stated by WATHEEQA.

This publication contains forward looking statements which are usually but not always identified by the use of words such as "anticipate", "believe", "estimate", "envisage", "forecast", "intend", "expect", "plan", "predict" and "project" and statements that an event or result "can", "could", "might", "may", "should", or "will", occur or be attained and other like expressions. Forward looking statements are based on

WATHEEQA INVESTOR DIGEST

assumptions made and information currently available to WATHEEQA and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Recipients are cautioned not to place undue relevance on these forward looking statements. Opinions or forward looking statements expressed are subject to change without notice.

This publication is strictly private and confidential and is distributed to a limited number of persons and has not been reviewed by, deposited or registered with a registry, licensing authority or governmental agencies in any jurisdiction. It is not intended that this publication be distributed in any jurisdiction where its distribution would be contrary to the law or regulations or require registration or licensing. WATHEEQA shall not liable for the consequences, direct or indirect, of such non-compliance in these specific jurisdictions.

WATHEEQA, its shareholders, associates, subsidiaries, their respective Directors, officers and employees ("Group") may from time to time deal in, trade or have positions in any Investments (or related investment) mentioned in this publication. WATHEEQA may also act as market maker, underwriter, placement agent, investment banker or other advisor to any issuer (or party related to the issuer) of the Investments referred to herein; and any member of the Group may have received or may expect to receive remuneration or other benefits for such services or Investments.

The views or opinions expressed herein reflect WATHEEQA's view as of the date of this publication. WATHEEQA accepts no obligation to correct or update the information, opinions or statements in this publication. Copyright protection exists in this publication and it may not be reproduced, distributed or published in whole or in part by any person for any purpose. If you are not the intended recipient you must not use, disclose or distribute the information in this publication in any way.

The Group accepts no liability whatsoever for any direct, indirect, consequential, special, incidental, punitive, exemplary or other damages and loss (including loss of profits) arising from any use of this publication and/or further communication, disclosure, or other use of this publication.