

Index

- AIG, 109
- American Stores Inc, 78
- Analysts, 22, 119–120
- Analytical error, 135
- Analytical method, 18–19
- Applied Materials, 116
- Arithmetic average, 86
- Asia, 4
- Asset allocation, 115, 148, 149
- Asset classes, 34, 110, 183–184
- “Autocorrelation,” 108
- Automobile industry, 55
- Autumn 2011 perspective, 171–175
- Axe-Templeton Growth Fund of
Canada, 69
- Bahamas:
- assistant in, 24–25, 82
 - business in, 19, 26, 68
 - move to the, 15–17, 76, 87, 144, 162
- Balliol College, 4, 34
- Banking crisis, 103, 109, 112
- Bargains. *See also* Thrift
- mantra for, 22, 93, 140, 184
 - public opinion and, 55
 - search for, 18, 24, 114–115, 131
 - shape of portfolio and, 74
 - simplistic idea of, 22
 - value and, 116–117, 146
- Bear markets:
- by decade, 10, 15
 - fund performance and, 92, 93–94
 - investment philosophy and, xi–xii
 - outperformance and, 100
 - recession and, 115
 - stock purchases and, 166
- Berkshire Hathaway, 88
- Bias, 135, 138, 145
- Biographers, 2, 3, 12, 14, 16, 102, 126
- Biographical background:
- career span, 81
 - childhood, 2
 - death, x, 26
 - education, 2, 33–34

- Biographical background (*continued*)
 fame, 18, 29
 knighthood, ix, xvii
 marriage/family, xiii–xiv, 6, 26
 personal qualities, 24–27, 165
 philanthropy, ix, xi, xv, 17, 26,
 66, 168
 religion/religious work, xv, 17, 26,
 102, 103, 126
 residences, xiii, 1, 4, 6, 15–17 (*see also*
 Lyford Cay estate)
 retirement, xv, 81
 travels, 4, 72
- Bonds. *See also* Securities
 in emerging markets, 170–171
 government, 90, 180–184, 183
 real returns and, 181–183
 shift to/from stocks, 37, 58, 123
- Books, x, 2, 25, 27, 131, 172
 “Bottom-up” investor, 156
- BRIC countries, 174
- Brokers, 145
- Buffett, Warren, x, xi, 2, 6, 50, 88,
 162, 165
- Bull markets:
 historic events and, 93–95
 long-range program and, 51
 market trends and, 115
 most sustained, 17
 outperformance during, 92
 in twentieth century, 15, 48,
 49, 77
 world index and, 94
- Business risk, 117, 145
- Business Week*
 “death of equities” story, 17–18
- Buying low, 10, 112–114
- Cable & Wireless, 135, 167
- Canada:
 fund domiciled in, 10, 11, 12, 63, 67
 withholding tax, 69
- Capital:
 changes, 61
 controls, 73
 repatriation of, 71, 72
- Capital gain(s):
 clients’ interest in, 61
 compounding and, 87
 Dow Jones Industrial Average
 and, 47
 tax, 11, 67
- Capitalism, 103
- Cash, 123, 149, 165, 180. *See also*
 Currency
- Charitable foundations, xi, 11
- Cheap stocks. *See* Bargains
- Chemical stocks/industrial cycle,
 152–155
- China, 5, 173, 174, 177
- Chinese University, 24
- Churchill, Winston, 8, 184
- Client indoctrination, 59–62
- Cold War, 10, 50
- Commodity cycle/metals, 155–157
- Common sense, 130, 140, 146, 150
- Common stocks, 58, 70
- Compound interest, 86, 87
- Computer-generated trading
 systems, 109
- Contrarian position, 14, 17–19, 44,
 113–114, 162. *See also* Investment
 philosophy
- Counterintuitive insights, 50
- Cowen & Company, 3
- Cowles, Alfred, 36
- Credit crisis, xiii, 109, 171, 180–181
- Cundill, Peter, 26, 135, 167
- Currency, 171, 181
- “Cyclically adjusted price-earnings
 ratio,” 39, 176, 177–179, 183
- Damroth, William G., 66
- Debt, 5, 8, 92–93, 162

- Debt crisis, 104, 112, 170
- Deductions, 105–106
- Deflation, 138, 181
- Derivatives, 109, 127
- Discounting mechanisms, 112–113
- Distribution, importance of, 66
- Diversification, 11, 60, 118, 128, 135, 146
- Diversity, staffing and, 23
- Dividends, 52, 71
- Dodd, David, 4, 18, 24, 33
- Dow Jones Industrial Average:
 - from 1945–1965, 49
 - from 1973–1974, 74
 - in 1982 bull market, 17–18
 - capital gain and, 47
 - future levels for, 48
 - “normal” range and, 43
 - one-day 22 percent fall, 21
 - S&P index and, 44
 - stock market exposure and, 39
 - WWII and, 8–9
 - Yale method and, 34
- Due diligence, 129
- Earnings forecasts:
 - five-year forward, 132–133, 134–135, 163, 168
 - stock selection based on, 10
- Economic theories, 38, 72
- Economic utilitarianism, 104
- Edinburgh Partners, 135–140
- Einstein, Albert, 86
- Emerging market funds, xiv
- Englewood, New Jersey, 10, 30
- Enron, xiii, 103
- EP Global investment trust, xiv
- Equities:
 - allocation to, 43, 45, 46
 - de-rating of, 177
 - historical experience with, 181–182
 - “normal” levels, 78
 - as preferred asset class, 182–184
 - real returns and, 182–183
 - Yale method and, 34
 - yield on, 39
- Ericsson, 71
- Estate planning, 62
- Europe, 4, 72
- E. W. Axe and Co., 69
- Family investments, 17
- Federal Deposit Insurance Corporation (FDIC), 151
- Federal Reserve, 39, 151
- Fenner & Beane, 5
- Fillimore, Charles, 168
- “Financial Chaos” (memo), 169–170
- Financial crisis. *See also* Great Depression; Recession
 - banking crisis, 103, 109, 112
 - crash of 1929, 44
 - credit crisis, xiii, 104, 109, 171, 181
 - debt crisis, 104, 112, 170
 - global, 2007–2009, xii, 162
 - savings and loan crisis, 149–152
 - subprime mortgage crisis, xv
 - World War II and, 74
- Financial markets, 104. *See also* Stock market(s); Wall Street
- Fisher, Ken, 65, 101
- Fisher Investments, 65
- Five-year-forward earning projections, 168
- Five-year-forward P/E ratio, 163–164
- Flexibility, 24, 109–112
- Folk, Judith Dudley, 6, 26
- Forbes*, ix, 18, 65, 90
- Forecasts:
 - five-year forward, 111, 132–133, 134–135
 - non-forecasting method, 60
 - stock market trend, 36
- France, 5, 8, 9

- Franklin Resources, xiv, 15, 80–81
 Franklin Templeton group,
 26, 119
 Fund management. *See also* Mutual
 funds
 focusing efforts on, 63
 hallmark of, 44, 93
 lead manager for fund, 128
 regret regarding, 66
 sale of business, xiv, 126
 star rating margin, 83
 underperformance and, 117
 Future Range of Stock Prices, The
 (memo), 44
- Galbraith, John (“Jack”):
 in business with, 11–12, 13–15
 marketing/PR efforts, 18, 77, 78,
 87, 168
 on time management, 25
- Gambling, 3, 108, 109
- General Motors, 55
- General Theory of Employment, Interest
 and Money* (Keynes), 4
- Genius, 22, 76, 91, 147, 160. *See also*
 Simplicity
- Geometric average, 86
- Germany, 5, 9, 175, 177, 178
- Global Crossing, 103
- Global equity fund, 148
- Global financial crisis, xii, 162
- Global investing, 4, 11, 18
- “God’s design,” 26
- Graham, Benjamin, 4, 18, 24, 33, 50,
 56, 57
- Great Depression, xiii, 2–3, 7
- “Greater fool theory,” 108–109, 180
- Greene, Jack, 3
- Greene and Ladd, 3
- Growth:
 global, 175, 181–184
 policies and, 31
 stocks, 58, 71
 value and, 24, 52–53
- Growth companies, 165
- Gulf War, 152
- Hansberger, Tom, 22, 23
- Harvard University, 4, 33
- “Herd, the,” avoidance of, 105
- Herrman, Robert, 3, 14
- Hiring of staff, 19–20, 23
- Historic events, selected, 94–95
- Hitler, Adolph, 4, 5, 8
- Holding period, 120
- Holowesko, Mark:
 advice to, 167
 stock selection by, xiv, 80
 on Templeton, 19–21, 24–25
 Templeton’s memos and, xi, 128
 TGF portfolio management by, 82
- Hong Kong, 24
- Housing market, xv
- How To Win Success Before 40*
 (Damroth), 66
- Human behavior, 36, 102, 105, 142
- Hunter, John, 25
- Hyper-inflation, 138
- Implications for investors, 175–184
- Income, 58, 61
- Independent Investor web site, xvi
- Index funds, 127, 128
- India, 5
- Indoctrination of clients, 59–62
- Industrial cycle/chemical stocks,
 152–155
- Industrial Stock Prices, index of, 44, 45
- Inflation, 85, 86, 97, 106, 138,
 180–183
- Information overload, 144
- Information technology, 109
- Inksetter, James, 4
- Internal Revenue Service, 31
- International Monetary Fund, 171
- International stocks, 14

- Internet, 172
- Internet bubble, 109, 110, 166, 167
- Internet stocks, 170
- Intrinsic value, 54, 55–56, 146, 147, 148, 163
- Investment advisory firm. *See also*
 Templeton, Dobbrow & Vance;
 Templeton Galbraith Hansberger
 achievements of, 30–31
 marketing of, 37
 merger and, 6
 range of funds, 14, 15
 sale of business, xiv, 15, 26, 32, 63, 80–81, 82, 128
 start of, 5, 9–10, 30
 Yale method and, 33
- Investment philosophy, 18, 101, 112, 127, 141, 161. *See also* Contrarian position
- Investment program:
 backbone of, 35
 long-term (*see* Long-term investing)
 sensible, 60
- Investment(s):
 bonds (*see* Bonds)
 business paradox, 102–105
 counsel, 8, 31, 32–33, 34 (*see also* Investment advisory firm)
 equities (*see* Equities)
 fund “balance,” 37
 increasing income from, 57–59
 method, flexibility and, 109–112
 mutual funds (*see* Mutual funds)
 process, 141
 style, 52–53
 themes, longer-term, 49–50
 trends in, xv
- Japan, 5, 71, 72, 73, 104, 178
- Japanese stock market. *See also* Tokyo market
 bubble, 17, 79, 98–99, 100, 167
 investments in, 14, 175, 177
- P/E ratio and, 75
 selling out of, 122, 126
- Joint venture management company, 66–67
- Keynes, John Maynard, 4, 117
- Korea, 104
- Korean War, 48
- Kuwait, Iraqi invasion of, 152, 154
- “Laws of life,” 27
- Legacies, 63
- Letters. *See* Memos from Templeton
- Leveraging returns, 92–93, 162
- Linear extrapolation, 143–144
- Load/“no load” funds, 67
- London, City of, xiii
- London market, 1973–1974 period, 74
- London Metals Exchange, 155
- Longer-term investment themes, 49–50
- Long-Term Capital Management, 112
- Long-term investing. *See also*
 Investment program
 attitude toward, 37, 131–132
 broad changes and, 121
 financial world and, 109
 holding periods, 89
 renown for, 8
 stock market cycles and, 51–52
 wealthy investors and, 86–88
- Long-term value, 116
- Lyford Cay estate, 15, 26, 82, 98
- Lynch, Peter, x
- Madoff, Bernie, xiii
- Malkiel, Burton, 83
- Manek, Jayesh, 132
- Manhattan, 6, 30
- Market. *See* Bear markets; Bull markets;
 Stock market
- Market capitalization, 135, 148
- Market crash, 121
- Market guru status, 17–19

- Marketing, 9–10, 12, 37, 87
- Market price:
 earnings in relation to, 57–58
 vs. intrinsic value, 54–56
- Market trends, buying value and, 115–118
- Market valuation methods, 39
- Markowitz, Harry, 11
- Maxims:
 famous, 110, 144
 “maximum pessimism,” xiii, 102, 112, 144, 150, 153, 155, 184
 “never follow the crowd,” 101, 150, 153
 outlining of, 127
 simplicity of, 130
- Memos from Templeton:
 on best stocks, 53–56
 on best thing that could happen, 50–52
 “Financial Chaos,” 169–170, 184
 Future Range of Stock Prices, The, 44
 on income from investments, 57–59
 Independent Investor web site, xvi
 insight into thinking, xi
 to Leddell, Scott, Heavner, Palmer, Warner, Andrew, 59–62
 on normal for stock prices, 38–39
 on planned investment, 35–37
 on program “balancing,” 39–42
 Templeton Letter, The, 49
- Merrill Lynch, 5–6, 7, 23
- Metals/commodity cycle, 155–157
- Miller, Ogden, 3
- Mistakes, learning from, 123, 126
- Mobile telephony, 172
- Mobius, Mark, xiv, 15, 19, 132
- Modern portfolio theory, 129, 130
- Momentum strategies, 108, 112, 122
- Money Masters* (Train), 65
- Monitoring investments, 120–121
- Moore, Gary, 25
- Moral relativism, 103–104
- Morningstar benchmark, xiv, 83
- “Mountain, the,” 12, 78, 87
- MSCI World index:
 bull/bear markets ‘54 to ‘97, 96–97
 EP Global investment trust and, xiv
 Templeton Growth Fund and, 11, 80, 86, 90–92, 91
- Mutual funds, 63, 66, 83. *See also*
 Templeton Growth Fund (TGF)
- New industries, 128
- New York:
 financial district, 16
 landmarks in, 5, 9, 30
 Manhattan, 6, 30
 start of career in, 4, 30
- New York Stock Exchange, 7, 57, 109
- “No load” funds, 67
- Nominal return on investment, 84, 86
- Non-forecasting method, 60, 115
- Normal, estimate of, 38–39
- “Normal Zone,” 34, 78
- Nucleonics, Chemistry & Electronics
 Shares fund, 66
- OECD, 73
- Oil stocks, 50, 74
- OPEC oil embargo, 74
- Optimism, 130, 168, 173, 184
- Outperformance:
 bear markets and, 100
 doing something different, 16
 long-term, 82–86
 of market, difficulty in, 126–128, 162
 risk and, xii
 of world market index, 166
- Oxford University, 4, 5, 6, 30, 33–34
- P/E. *See* Price-earnings ratio (P/E)
- Pension funds, 11

- Performance of TGF. *See also*
 Templeton Growth Fund (TGF)
 analysis period, 81, 82
 in bear markets, 100
 lump sum, five-year returns, 83–86
 outperformance, xii, 14, 82–86,
 93–94
 period of fund, 83
 Templeton's management and, 81
 two out of three stocks, 154
 underperformance of, 139
- Pessimism, 102, 150, 173, 184
- Pharmaceuticals/political risk,
 158–160
- Philanthropy, ix, xi, xv, 17, 26, 66, 168
- Philosophy of investing. *See also* Genius
 bear markets and, xi–xii
 cheap stocks (*see* Bargains)
 formation of, 44
 simplicity (*see* Simplicity)
- Philosophy of life, 168
- Pierson College, 3
- Planned investment memo, 35–37
- Poker playing, 3
- Political developments, 174
- Portfolio changes, Japanese stocks,
 70–75
- Portfolio theory, modern, 129, 130
- Positive attitude, 130, 168, 173
- Postwar period, 31, 48, 50, 71
- Price-earnings ratio (P/E), 24, 39,
 176, 183
- Probability, 3
- Proctor, William, 16, 126
- Productivity, 173
- Profit sharing plans, 30
- Program “balancing:”
 allocation to equities, 43
 “balancing review,” 41
 intervening market movements, 42
 Normal Zone, 42, 43, 48
 60 Percent Program, 42
 “zones” based on “normal,” 39–40
- “Q” stocks, 111
- “Quality” stocks/companies, 114–115
- Quant firms, 112
- Radio City, 5, 9
- Radnor, Pennsylvania, 26
- Random Walk Down Wall Street, A*
 (Malkiel), 83
- Rational Optimist, The* (Ridley), 173
- Reagan administration, 14
- Recession(s), 48, 115
- Relative performance, 145
- Relative value, 116
- Religion/religious work, xv
- “Religious Foundation of Liberty and
 Enterprise, The” (speech), 103
- Repetition, 61–62
- Reports, 62
- Research, 7
- Reserve, 58
- Return on investment:
 nominal, 84, 86
 real/inflation-adjusted, 85, 86
- Rhodes scholarship, 4, 5, 33–34
- Ridley, Matt, 173
- Risk:
 business, 117, 145
 diversification and, 118, 148
 of global investing, 11
 less, returns and, 90–93
 outperformance and, xii
 political/pharmaceuticals,
 158–160
 quality stocks and, 115
 survivorship bias, 135
- Robertson, Julian, 162
- Rockefeller Center, 5, 30
- Roosevelt, Franklin D., 8
- Rukeyser, Louis, ix, 18
- Rules. *See also* Maxims
 generally, 102, 111
 Rule 1: Invest for maximum total
 return, 105–107

- Rules. *See also* Maxims (*continued*)
- Rule 2: Don't trade or speculate, 107–109
 - Rule 3: Remain flexible, 109–112
 - Rule 4: Buy low, 112–114
 - Rule 5: Search for quality among bargain stocks, 114–115
 - Rule 6: Buy value, not market trends, 115–118
 - Rule 7: Diversify your holdings, 118
 - Rule 8: Do your homework, 119–120
 - Rule 9: Aggressively monitor your investments, 120–121
 - Rule 10: Don't panic, 121–123, 124–125
 - Rule 11: Learn from your mistakes, 123, 126
 - Rule 12: Begin with a prayer, 126
 - Rule 13: Outperforming the market is difficult, 126–128
 - Rule 14: Success is a process of continually seeking answers to new questions, 128–129
 - Rule 15: There is no free lunch, 129
 - Rule 16: Be positive, 130
 - simplicity of, 130
- S&P 500 index, 39
- S&P index, 44, 175
- Savings and loan crisis, 149–152
- Sayings. *See* Maxims
- Securities, 31, 39, 112–113
- Securities and Exchange Commission ruling, 67
- Security Analysis* (Graham and Dodd), 4, 18–19, 33, 56
- Selling/salesmen, 9–10, 11–12
- Shiller, Robert, 39
- Shiseido, 70, 71, 72, 73
- Short-term outlook, 53–54, 130, 147, 160, 164
- Simplicity, 20, 21–23, 24, 77, 146, 168
- “16 Rules for Investment Success,” 102, 105
- “60 Percent Program,” 40, 42
- Soros, George, x, 162
- Speculation, 7–8, 9, 107–109
- Speeches, 103
- Standard & Poor's index of Industrial Stock Prices, 44, 45
- Standard Gas and Electric Company, 3
- Stock(s):
- analyzing, 119
 - common, 58, 70
 - growth, 58, 71
 - screening, 110
- Stock market(s). *See also* Bear markets; Bull markets; specific stock market
- American, 17 (*see also* U.S. stock market)
 - crisis events and, 2, 123, 124–125
 - declines, 35, 50 (*see also* Financial crises)
 - exposure to, 10, 39
 - global cycle of, 75
 - go-go years for, 79–80
 - “Normal Zone,” 34, 44, 48
 - outside of U.S. (*see* specific stock market)
 - overvalued, late 60s, 74
 - statistical analysis of, 34
 - strongest periods in, xv, 92
 - trading levels and, 34
 - trend forecasts, 36
 - valuation methods, 39
 - volatility, 48, 104–105, 122
- Stock options, 103
- Stock picks:
- analytical task and, 164
 - “best stocks,” 53–56, 60
 - broker earnings forecasts and, 133
 - earnings projections and, 168
 - economic principles and, 142
 - element of “selection,” 35
 - genius and, 76

- growth stocks, 58
- shift to/from bonds, 37
- terrible reasons for, 129
- value and growth criteria, 52–53
- Stock prices:
 - 60 Percent Program, 40
 - industrial, 44, 45
 - market price vs. intrinsic value, 54–56
 - normal for, memo from Templeton, 38–39
 - “zones” and, 39–42, 44, 45, 48
- Stout, Brevoort, 39
- Subjective analysis, 45
- Subprime mortgage crisis, xv
- Success, 128–129, 131–132
- Sunspots, 111
- Survivorship bias, 135, 138
- Sustainability of earnings, 114
- Swensen, David, 33

- Taiwan, 23–24
- Taxes/tax advantages:
 - Canadian incorporation, 63
 - capital gains tax, 11
 - clients’ concerns, 62
 - foreign tax credit, 78
 - penal tax rates, 103
 - tax deductions, 31, 105
 - withholding tax on dividends, 71
- T-bills, 90
- Technology stock bubble, 80
- Templeton, Dobbrow & Vance. *See also*
 - Investment advisory firm
 - business objective of, 59
 - common stocks and, 39
 - creation of, 6, 30, 59
 - economic theory of, 38
 - Fund A, equity allocation, 45, 46
 - fund investment advisor, 67–68
 - indoctrination of clients, 59–62
 - joint investment advisors, 69
 - long-range programs, 51–52
 - Model Fund, 59, 62
 - in recession period, 48
 - Templeton, John Jr. (“Jack”), xvii, 15, 26
 - Templeton College, 5
 - Templeton Damroth Corporation, 66
 - Templeton Distribution Group, 81
 - Templeton Emerging Markets Fund, 23
 - Templeton Foundation, xv, 26
 - Templeton fund management business. *See* Fund management
 - Templeton Galbraith Hansberger, 80–81
 - Templeton Growth Fund (TGF):
 - annual reports, 68–70, 74, 78–79, 87
 - bear markets and, 15
 - best/worst years, 89
 - Class I shares, 13
 - domiciled in Canada, 10, 12, 63, 67
 - first 10–20 years of, 11, 25–26, 69–70
 - growth, cumulative/“the mountain,” 12, 78, 87, 88
 - investment advisor, 67–68
 - Japanese stocks and, 70–75, 76, 79, 80, 166
 - key figures, 78
 - launch of, xiv, 65, 66
 - majority of money invested, 86
 - management of, xiv, 16
 - marketing of, 14, 15, 127
 - as most famous, 146
 - nominal returns, 96
 - performance (*see* Performance of TGF)
 - portfolio changes, Japanese stocks, 70–75
 - real returns, ix–x, 88–90, 96
 - sister fund, U.S. registration, 77–78
 - world index and, 91–92
 - Templeton Investment Management, 133
 - Templeton Letter, The, 49

- Templeton Management Company, 81
 Templeton Management Ltd., 69, 70
 Templeton Press, xv
 Templeton Prize, 27
 TGF. *See* Templeton Growth Fund (TGF)
Theory of Investment Value, The (Williams), 4, 33
 Thrift, 6–7, 20, 25. *See also* Bargains
 Time management, 25, 119
 TMT sector, 166
 Tobin, James, 39
 Tobin's q, 39
 Tokyo market, 79, 100. *See also* Japanese stock market
 Total return, 105–107
 Train, John, 65
 Treasuries, 90, 110, 170
- Underperformance, 126
 Union Carbide, 20–21
 United Kingdom, ix, xv, 74, 127, 175, 177
 United States:
 fixed commissions and, 127
 loss of AAA credit rating, 171
 U.S. central bank, 39
 U.S. government bonds, 90, 110, 183
 U.S. stock market. *See also* Stock market(s)
 boom expected in, 17, 18
 and Japanese market P/E ratio, 75
 largest one-day fall, 21
 overvalued, late 60s, 74
 per annum rise in, 104
 U.S. Treasury, 69
- Valuation(s):
 anomalies in, 18
 methodology and, 122
 process driven by, 113–114, 165
 Value:
 common sense search for, 146
 –driven approach, 14, 80
 growth and, 24, 52–53
 instead of market trends, 115–118
 intrinsic, 54, 55–56, 146, 147, 148, 163
 long-term, 116
 Value investing, 19, 56, 109, 146, 164
 “Vassar Plan,” 10, 36
 Virtues and vices, 103–104
- Wall Street, xiii, 16, 18, 49
Wall Street Tonight (TV program), 17
Wall Street Week (TV show), ix, 18, 77
 Watsa, Prem, ix
 White Weld, 68
 Williams, John Burr, 4, 33
 Winchester, Tennessee, xiii, 1
 Wood, Jim, 25, 27, 119
 Work ethic, 2, 20, 24, 25, 26
 Working style, 24, 25
 World Index. *See* MSCI World index
World Monitor: The Christian Science Monitor Monthly, 102
 World War I, 9
 World War II, 4, 5, 7, 8–9, 31, 44, 50, 55, 72, 74
- Yale Endowment Fund, 33
 Yale method, 10, 32–33, 34, 36, 45, 123, 127, 180
 Yale University, 2–3, 4, 5, 6, 30, 33