

The good oil in print: making the most of investment newsletters

Independent tips on good practice are often useful, writes

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BERNARD Baruch, one of the all-time great investors famously quipped: "Don't try to buy at the bottom and sell at the top. It can't be done, except by liars."

It is with this in mind that we delve into the investment newsletter, publications aimed at people who buy and sell shares directly instead of using managed funds. What should you look out for, are they good value and will they make you a better investor?

Steve Johnson, chief executive of share newsletter *The Intelligent Investor*, says the main advantage of his service and some other newsletter services is their independence — they are not owned by a financial services enterprise seeking to derive commissions. "Our business model relies on subscription fees. If you don't do well by these people, they won't renew."

Johnson says his subscriber base is mainly do-it-yourself investors.

"They want to learn how to make better investment decisions. Most of our subscribers enjoy, and are intellectually stimulated by, doing their own investing. Or perhaps many don't want to pay the fees to fund managers."

Investors today have a cornucopia of information.

The internet has opened up market access to ordinary investors and punters. John Addis, a former publisher of investment newsletters, sums it up: "In some ways the arrival of the internet has meant that everyone can trade

easily. The accessibility means that the temptation to trade is more readily acted on, and this undoubtedly impairs overall returns."

Addis says there is an enduring educational role for newsletters such as *The Intelligent Investor*, *Huntley's*, *Eureka Report* and *Wise-Owl.com* in dealing with the surfeit of poor information masquerading as research that may be published on the internet.

"It gives the impression of putting more people in control, but it actually increases and amplifies their capacity to make mistakes.

"Until now, the bull market has hidden this, but through events such as the collapse of Opes Prime, we're beginning to see its full force." The internet is also changing the essential business model for newsletters, giving advice, education and tips.

Rather than rely on "old methods" of writing up research (for example after an interview of company management), "now we stick a microphone in front of them and broadcast it as a podcast, offering subscribers an understanding of a company's business that would previously have taken weeks", Johnson says.

Newsletter subscribers find comment and analysis help them understand the companies they invest in, or might consider investing in.

On the other hand, keen share traders will want a newsletter that has the skill to pick market trends and inform them before they're out of date.

Some newsletters, such as *Fat Prophets*, have the look and feel of a tip sheet, while others such as *Huntley's* and *The Intelligent Investor* purport to cater for the long-term investor.

Phillip Shamieh, managing director of *Wise-Owl.com*, says a newsletter

needs to cater for all types of investors.

"We adopt a bottom-up investment process. We research stocks that will outperform."

Subscribers not only want good research, they want to know what to do, he says. "We provide, for example, stop-loss as well as 12-month targets, and we provide daily, weekly, monthly reports." Shamieh says there is understandable nervousness among subscribers, but conditions will favour long-term investor.

"Goodwill (loyal subscribers) is only achieved from results."

A common thread in the claims of the various subscriber-based newsletters whose subscription rates vary from \$295 to about \$1100 a year is investor education.

Johnson says: "We've had subscribers tell us they are not ready to invest even after 12 months, that they're still learning."

Indeed, investing is difficult to master and newsletters have a role for the DIY investor. If the publication has been issued for many years, you at least know it has some loyal subscribers who find something of value.

Yet even the investment experts who have been investing for years still grapple with getting it right.

"We make mistakes, but our record is strong," notes Johnson, who claims returns (on recommended stocks) of 17 per cent annually over 6.5 years.

In seeking advice the same old issue still applies: you have to find someone you can trust.

To quote another great from the world of investing, Warren Buffet: "Rule No 1: never lose money. Rule No 2: never forget Rule No 1."

Perhaps a newsletter or two will help investors observe rule No 1.



The value of independence: Steve Johnson

Picture: Graham Crouch