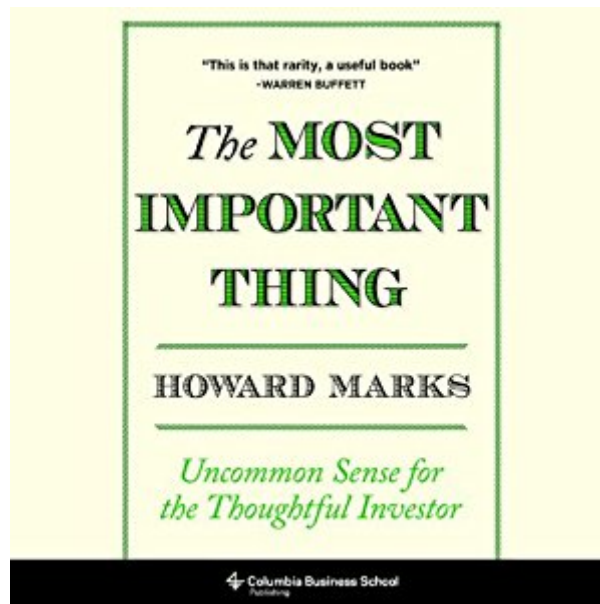


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# The Most Important Thing: Uncommon Sense For The Thoughtful Investor



## Synopsis

Howard Marks, the chairman and cofounder of Oaktree Capital Management, is renowned for his insightful assessments of market opportunity and risk. After four decades spent ascending to the top of the investment management profession, he is today sought out by the world's leading value investors, and his client memos brim with insightful commentary and a time-tested, fundamental philosophy. Now for the first time, all listeners can benefit from Marks's wisdom, concentrated into a single volume that speaks to both the amateur and seasoned investor. Informed by a lifetime of experience and study, *The Most Important Thing* explains the keys to successful investment and the pitfalls that can destroy capital or ruin a career. Using passages from his memos to illustrate his ideas, Marks teaches by example, detailing the development of an investment philosophy that fully acknowledges the complexities of investing and the perils of the financial world. Brilliantly applying insight to today's volatile markets, Marks offers a volume that is part memoir, part creed, with a number of broad takeaways. Marks expounds on such concepts as "second-level thinking", the price/value relationship, patient opportunism, and defensive investing. Frankly and honestly assessing his own decisions - and occasional missteps - he provides valuable lessons for critical thinking, risk assessment, and investment strategy. Encouraging investors to be "contrarian", Marks wisely judges market cycles and achieves returns through aggressive yet measured action. Which element is the most essential? Successful investing requires thoughtful attention to many separate aspects, and each of Marks's subjects proves to be the most important thing.

## Book Information

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## Customer Reviews

Just so you know where I'm coming from, I got the Kindle version early because I deeply respected Howard Marks and was excited to learn more about what he thought was the Most Important Thing (yes, I already read the oaktree memos). This book is intended to be Howard Marks' statement of investment philosophy, or his "religion" as he puts it. He counts among his peers Galbraith, Buffett, Munger, Klarman, Bernstein, Grantham, Greenblatt, Grant, and Bogle, all superinvestors in their own right, but also great investment authors (the two qualities don't necessarily coincide as we shall see). I set out reading the thing, and even took notes. However, I soon realized that what I was reading wasn't worth noting down. I am writing this to provide fair warning to experienced readers, in full knowledge that this runs counter to the personal endorsements of Buffett and co. So I will be as specific as I can in my criticisms, and by all means buy it if you think I'm way off point. Caveat emptor. First, the organization isn't great. Marks chooses to simply reprint a lot of his past stuff. This results in the book not being as crisp as it could be. I am not talking about a "magic formula for investing" in equations or sentences, which he explicitly says he is not providing and anyway I am not seeking. I am just asking for the basic, minimally repetitive, coherent flow of thought any investment author ought to provide to his readers in a single book. Second, he even sort of tricks you in the title. I don't think you'll mind me spoiling this for you because it is so... lame: There is No One Important Thing. In fact, there are 18. And oh, yeah, a lot of them are minor variations of each other (Chapter 2 is on Understanding Market Efficiency. Chapter 19 is on Adding Value.

How does one write a review for a book when it has been praised by Jack Bogle, Jeremy Grantham, Joel Greenblatt, Seth Klarman, and Warren Buffett? I am a midget among giants. I can't write this, but I am going to try. Being a teensy part of the investment fraternity that calls itself value investors, I do have some perspective on this book. The joke of sorts is that there are many things that are "the most important thing." But I think the point of the author is that what is most important shifts, depending on the market environment. But all of "the most important things" can be boiled down to four main concepts: Margin of Safety Buy it Cheap; Valuation Contrarianism Think beyond the initial effects to secondary effects. Think holistically. By margin of safety, there are many things implied -- a strong balance sheet, strong cash flows, conservative accounting, and/or protected market position. The important thing is to prevent a large loss. If you can prevent large losses, the gains will come eventually. Buying it cheap is also a simple concept, though hard to implement well. What metric to use? Price to Earnings, Cash Flow, Book, Free Cash Flow, EBITDA? Where to look in the capital structure for value? The equity may be too risky, but maybe the preferred stock or bonds might be

interesting. Contrarianism means looking for what others rely on that may not work, and investing against it, whether positively or negatively. It can't be mere opinion; the other side has to be invested, and relying on their hypothesis to succeed. That is the situation where investing contrary to the consensus can succeed.

Mr. Marks states that when he was attending client meetings over the years he noticed a pattern. He would say in one meeting that such and such was the most important thing about investing and in later meetings he found himself referencing other items that he titled the most important thing to understand. Upon reflection about this pattern he decided to write a memo in July of 2003 that covered all these critical areas in his investing philosophy. This new book expands upon the ideas he covered in that original memo. Topics that are covered include: market efficiency, value, risk, investment cycles, contrarianism, finding bargains, patient opportunism, circle of competence, luck, avoiding pitfalls, etc... In short all the topics that a focus investor needs to understand and be able to place, and use, in their own mental models. What does Mr. Marks want his readers to gain from his book? Here are his own words from the introduction of the book: "I didn't set out to write a manual for investing. Rather, this book is a statement of my own investment philosophy. I consider it my creed, and in the course of my investment career it has served like a religion. These are the things I believe in, the guideposts that keep me on track. The messages I deliver are the ones I consider the most lasting. I'm confident their relevance will extend beyond today. You won't find a how-to book here. There's no surefire recipe for investment success. No step-by-step instructions. No valuation formulas containing mathematical constants or fixed ratios - in fact, very few numbers. Just a way to think that might help you make good decisions and, perhaps more important, avoid the pitfalls that ensnare so many. It's not my goal to simplify investing.

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