



## MONEY DUE REWARDS:



**Greg Southwell**

### The Value of Patience

“Patience”, it is often said, “is a virtue”. The apostle Paul numbered “patience” (or “longsuffering” in the older Bible versions) as one of the nine fruit of the Holy Spirit (Galatians 5:22). It’s a great quality to have, particularly good to have in your spouse, and well worth teaching to your children as well. It is perhaps a little less well known, however, that it is also very valuable in the art of investing. So much so, in fact, that Warren Buffett – often heralded as the world’s most successful investor – is quoted as saying that “the Stock Market is designed to transfer money from the Active to the Patient.”

At first glance, this doesn’t seem right. It somehow goes against the image we have of the high-flying market trader, placing large orders onto the markets at all hours of the day and night and living a generally frantic life. Buffett’s approach is different. He has built his success, not on making a continuous stream of good investment decisions, but rather on patiently waiting for the really outstanding investment opportunities to come along, and then taking full advantage of them. In Buffett’s own words, “We don’t get paid for activity, just for being right. As to how long we’ll wait, we’ll wait indefinitely.”

Let’s see how this works in practice. In the stock market boom of 1969, for instance, he firmly resisted the temptation to participate in the surrounding frenzy. In a letter to his partners, he wrote:

“I am out of step with present conditions. When the game is no longer played your way, it is only human to say the new approach is all wrong, bound to lead to trouble, and so on. On one point, however, I am clear. I will not abandon a previous approach whose logic I understand (although I find it difficult to apply) even though it may mean foregoing large, and apparently easy, profits to embrace an approach which I don’t fully understand, have not practiced successfully, and which possibly could lead to substantial permanent loss of capital.”

Of course, he was quite right, and four years later the US was in recession and the market had plummeted. Buffett, of course was found buying. In his own words, “be fearful when others are greedy, and be greedy when others are fearful”. Needless to say, this approach is in stark contrast to the majority of investors, who are keenest to invest when the markets are high, but reluctant when times are gloomy.

In the most recent boom/bust scenario, Buffett’s behaviour was no different. A year or two ago, when the market was booming, he was patiently waiting on the sidelines. Often, his published statements would lament the lack of value in the stock market. Recently, however, in a letter to the New York Times, he announced that he thought the time was now right for investing. To quote his own words, “The financial world is a mess, both in the United States and abroad...In the near term, unemployment will rise, business activity will falter and headlines will continue to be scary...So...I’ve been buying American stocks...”

Speak to a professional advisor if you have some funds to invest, and are interested in taking advantage of what Mr Buffett clearly regards as a great opportunity.

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