

The quiet investor

by Gary Moglione, Fund Manager

In the realm of successful investors, high profile names like Warren Buffett, Charlie Munger, and Benjamin Graham often take the spotlight. However, there's one investor whose story deserves attention: Ronald Read. Born in 1940 into an impoverished farming family, Read's journey to wealth was far from conventional. After serving as a military policeman in World War II, he worked as a gas station attendant and later as a janitor at a JC Penney store. Living frugally on a modest income, he prioritized saving over spending, a habit often overlooked in today's debt-fuelled society.

When Ronald Read passed away in 2014, it was revealed that his estate was worth a staggering \$8 million, with the bulk of his assets invested in the stock market. So, how did he do it? Unlike high-profile traders or mathematical geniuses, Read's investment strategy was refreshingly simple: he taught himself the basics of investing and followed a disciplined approach of buying high-quality blue-chip stocks at reasonable valuations and holding them for decades. He focused on companies paying attractive dividends, always reinvesting the income to further compound his returns. He was also well diversified and at the time of his death he held stock in 95 companies. During the global financial crisis, he held Lehman Bros but due to his diversification it failed to derail his portfolio.

There are invaluable lessons to be learned from Ronald Read's life and investment choices. Firstly, he recognized the importance of saving before spending, a principle often neglected in today's consumer-driven culture. By prioritizing saving and living within his means, he created opportunities for wealth accumulation. Moreover, his investment strategy focused on quality over quantity, allowing his investments to grow and compound over the long term.

Ronald Read's story challenges the conventional wisdom of quick gains and speculative trading. In his high school yearbook, a simple yet profound quote adorns his picture: "It is tranquil people who accomplish much." These words capture the essence of Read's remarkable journey. Despite his unassuming demeanour and modest lifestyle, his commitment to disciplined investing and long-term wealth accumulation set him apart as an extraordinary individual.

There is a revealing study by ²University of California finance professor Brad Barber and economics professor Terrance Odean which further supports Ronald's investing style, the trading records of thousands of individual investors were scrutinized. What they uncovered was both surprising and illuminating: the accounts with the highest returns belonged to inactive accounts.

This phenomenon, often termed the 'Dead Man's Portfolio,' underscores the power of a hands-off approach to investing. These forgotten accounts, left to quietly accumulate wealth over the years, outperformed those of active traders. It's a poignant reminder that the allure of constant tinkering with one's investments may often lead to subpar returns, while the patience and discipline of a long-term strategy can yield remarkable results.

As we reflect on Ronald Read's legacy, there's a compelling lesson to be gleaned: financial discipline, patience and compounding are the cornerstones of wealth accumulation. By instilling these values in future generations, we can aspire to make Read's story the norm rather than the exception. Ronald Read's journey serves as a powerful reminder that discipline, patience and perseverance are the keys to unlocking financial success in an uncertain world.

Sources:¹<https://cnbc.com/2016/08/29/janitor-secretly-amassed-an-8-million-fortune.html>
²<https://www.morningstar.in/posts/6756/avoid-these-three-investment-mistakes.aspx>



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