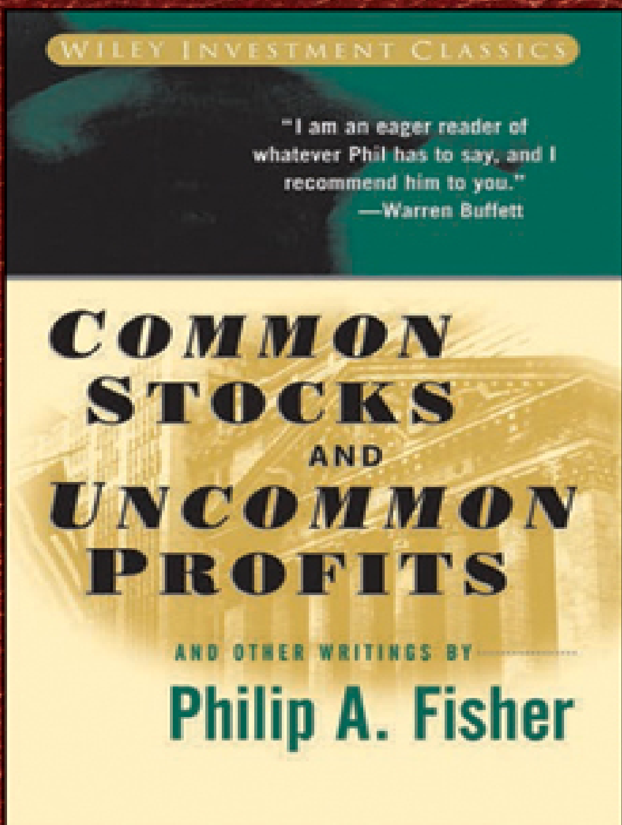
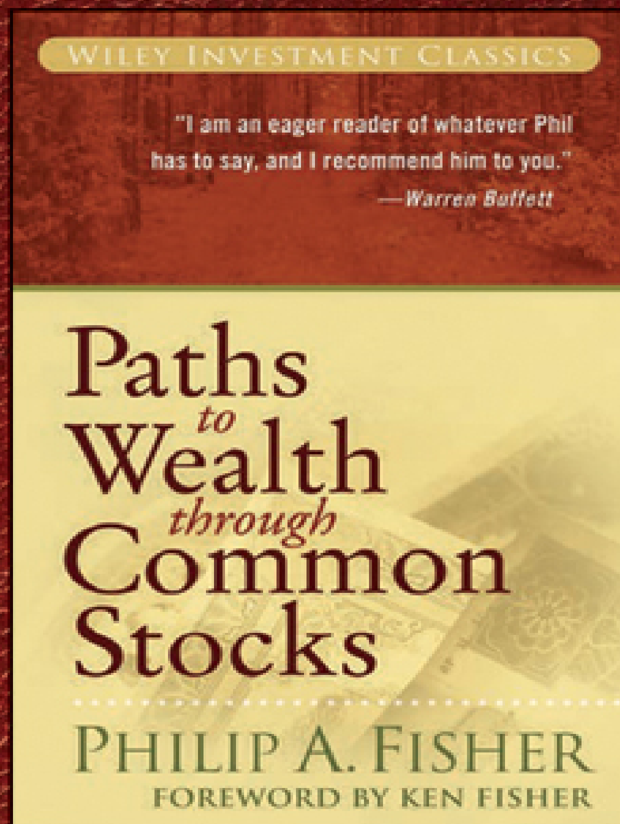
PHILIP A. FISHER

COLLECTED WORKS





Common Stocks and Uncommon Profits

Paths to Wealth through Common Stocks

Conservative Investors Sleep Well

Developing an Investment Philosophy

Foreword by KEN FISHER

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Philip A. Fisher Collected Works Foreword by Ken Fisher

Common Stocks and Uncommon Profits, Paths to Wealth through Common Stocks, Conservative Investors Sleep Well, and Developing an Investment Philosophy

Philip A. Fisher, Fisher & Co.

WILEY

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Publisher’s Note

Although Philip Fisher is regarded as one of the greatest investors of all time, it’s probably safe to say he doesn’t receive the acclaim of some of his contemporaries. We hope the publication of all of Fisher’s major published works in one digital edition will help to enhance his legacy and provide valuable and time-tested wisdom to today’s investors.

History repeats itself, just not in exactly the same way. Fisher advocated buying a small number of outstanding companies with terrific growth prospects. He was an early investor in Motorola and Texas Instruments and held onto those investments for years—to the great benefit of his clients. The question facing investors today is: What are the new Motorolas and Texas Instruments? What are the great growth stocks that will provide outsized returns for the next 10 or 20 years?

We hope the publication of Fisher’s collected works will help investors to answer those questions. The four publications included here provide Fisher’s complete methodology for identifying great investments and, just as important, demonstrate how Fisher applied his methods in the face of economic uncertainty. His work and perspective are as relevant today as they were when first written.

Foreword

My Three Bits on My Father and His Writings

This is, finally, the complete collection of all the public writings of Philip A. Fisher in one place. As such, this has never existed before. So, what else is there new to say? When the Wiley folks asked me to write this 2012 foreword to my father's collected writings it seemed unnecessary. After all, I've written lots about him and his writings: The 2002 introduction to *Common Stocks and Uncommon Profits* basically gave you his biography, who he was, and what he was like. Then came the 2003 preface to his "other writings" that added *Developing an Investment Philosophy* and portions of *Conservative Investors Sleep Well*. And finally came my 2007 foreword to the re-introduction of *Paths to Wealth through Common Stocks*. All are included herein and need no alternation. I wrote everything I could think of.

So, again, what else is there to say? I wracked my brain after re-reading both his works and writings about them—and pondering him. Turns out there is a bit more—in three blocks: 1) a bit more about him, 2) a bit about Chapters 7–14 of *Conservative Investors Sleep Well*—which are published here for the first time in 37 years, and 3) a bit of how I, as the person who knew him best in the world business-wise, would envision how he might look at today's world were he now in his prime.

A Bit More About Phil Fisher

I remember it very well, like a lightning bolt hitting me. Just after he had died a dastardly death from dementia, on March 11, 2004, I was sitting on my back deck on a warm spring afternoon. Yet I didn't write about my insight in my 2007 foreword—I guess because that was about the book *Paths to Wealth* and wasn't really about him. But what was my insight?

Various far-flung family members had congregated at my home, as commonly happens in any family when someone dies. Warm, clear weather—beautiful views of the Pacific. Eating, drinking, chatting, remembering; a few tears and lots of laughs. Normal phenomena for the phenomena! My mother, ravaged by her own advanced dementia (she didn't pass on until 2010), was for the first time bedridden at her home (where she and my father had lived and I had been raised), having just suffered a fall and hip break—broken hips are unfortunately common among the aged and that is what had also happened to my father in 1998, launching his long trajectory toward death.

My eldest niece, Caroline, named after my father's sister (who was herself named after the matriarch of father's extended family, his aunt, Caroline Fisher—covered in my 2002 introduction to *Common Stocks and Uncommon Profits*), was there. I hadn't seen Cary in a few years. She was 36 then and a busy high-end pediatric psychiatrist based in Boston who rarely got back to the west coast and hadn't really wanted to see my parents in their demented decline for fear it would blur earlier, happy memories. I'd been bantering with various other family members about father's behavioral oddities and she blurted it out: "The only thing you really have to know about grandpa is that he was a classic textbook Asperger's case." My response was, "What's Asperger's?" And she profiled it for me. And it sounded a lot like him.

Then I remembered. I'd heard that name "Asperger's" before but never much paid attention. And I remembered some doctor had written me after reading my 2002 introduction describing my father. The doctor thought father's behavior sounded like Asperger's Syndrome. But I had paid no attention. It was just some diagnosis from some guy far away I didn't know who didn't know father directly—probably some crackpot. But Cary was and is a serious psychiatrist and had known him very well and I wasn't going to discount her pronouncement. She was and is fully capable of diagnosis. That night I read at length online about Asperger's. I cried a lot that night and in some ways knew my father for the very first time. It explained so much I otherwise hadn't been able to. It's him to a tee. It was for me the missing link in making him explicable.

If you want to know who Phil Fisher was, first read about Asperger's Syndrome on Wikipedia. Then read my 2002 introduction to *Common Stocks and Uncommon Profits*, and all his oddities tie together and make perfect sense. If you come to understand this syndrome and my description of him you will know him pretty darned well.

A Bit About Chapters 7–14 of *Conservative Investors Sleep Well*

This reintroduces those February 1975 chapters of *Conservative Investors Sleep Well* which were excluded in the 2003 version of *Common Stocks and Uncommon Profits and Other Writings*. Why were they excluded then? First, Wiley didn't want the 290 page book another 117 pages longer. Second, the excluded chapters were believed to be too focused on the 1970s and maybe redundant with parts of *Common Stocks*. I disagree. My father was fundamental in investing in all ways and also almost never wrote the same thing twice the same way. And I know that to be true with these chapters because I helped him with them.

Take Chapter 7 on dividends. He had covered dividends before—in fact, in Chapter 7 of *Common Stocks and Uncommon Profits*. In both discussions of dividends, father—as always—thought in terms of total return and regularly discounted dividends relative to total return—which is quite technically correct. His main orientation was toward capital gains and the lower stocks went the more important capital gains became. But, for a fact, for years now, after every bear market, dividend-based investing becomes overtly trendy and supported by the pseudo-intelligentsia. And so it is now, in 2012. And here in Chapter 7 of *Conservative Investors Sleep Well* he tells you—in the aftermath of another very big bear market, what was then the biggest bear market since the Great Depression—why focusing on dividends is, as he would say were he speaking and not writing, “Nuts!”

Chapters 8 and 9, while not earth-shattering, are a good recount of the history of what caused investors to go wrong in the late 1960s and early 1970s. Many of the problems he covers in Chapter 8 are still very much with us today. This chapter is good reading for investors to see how myopia continues, persistently, to engulf us.

I would rephrase his definition of conservative investing as simply, “knowing your stuff.” If you know everything about what most folks think of as a risky situation, then it isn’t really so risky. But you have to know your stuff. He always presumed most folks weren’t even close. He regularly presumed it was easier to know what you needed to know to invest successfully, given time and patience, than most could fathom. And as he also wrote in his preface to *Common Stocks*, it is easier to know *what* will happen than exactly *when* it will happen. So, in Chapter 10 of

Conservative Investors Sleep Well he gives you 15 fast pages on "Learning the Facts."

Chapter 11 asks (and answers) five questions that are just as valid today as when he wrote it in 1975, and the answers are exactly the same as they would be were he in his prime and contemplating all we now see around us. One of the questions is in four distinct parts. As you read Chapter 11, ask yourself what you think Warren Buffett would say in answering this question. Then read my father. While the wording is very different, the thoughts are pretty similar to Warren Buffett's position. Computers were relatively new then but becoming ever more ubiquitous. Did he think they were important then? No. Would he think they are important now? No. He would think the stock is the stock and your brain is your brain, and that's pretty much what you need to make a decision and that the computer is simply a tool and of marginal use at best. I think that's pretty much what Warren Buffett says today too.

Chapters 11–14 are truly contemporary right now in 2012, 37 years after my father wrote them. What do people fret about now? What did he write about then? A lot of the same stuff! Stocks versus inflation! Stocks versus bonds, gold, and real estate! And stocks in a political swing to the left! If you fear Barack Obama, read about stocks in the context of a political swing to the left from someone who was a professional through the FDR years. Then man up.

As these chapters came out in February, 1975—immediately after a very big bear market, the biggest since 1937—he wasn't cowed. In his conclusion he is looking toward a long-term future with optimism for the well-run company and optimism for technology. Think how right he became eventually. But he always knew it was easier to know *what* would happen than *when* it would happen—so he wasn't trying to make a specific short-term forecast. And that leads me to opine on what I think he would think now were he in his prime.

A Bit About What He Would Think Now

Imagine him today, were it possible, with all he had under his belt from 1907 on, but just now at his absolute prime, maybe the equal of a 45–50 year old. I can assure you that as a 61-year-old I know my brain isn't as facile as it was when I was 45–50. That age, at least for me, encompassed my optimum human capital combination of the benefits of education and experience with the energy of adequate youth. What would he think were he that age now with an extra dollop of experience someone that age couldn't possibly have?

There are a few things I can be sure of. He would still think fundamentally and deeply. He would, as always, emphasize the long term over the short term, thinking the short term too tricky to time. He would recall, as he wrote in several passages herein, his view that in every decade investors take on as gospel nonsense presumptions—optimistic at times and pessimistic at others, but often for a decade at a crack—that are classic herd psychology traps and totally disconnected from fundamental, deep thought. He would try to think about what those presumptions are now. He would be fixated on the pace at which technology breakthroughs keep piling up not fully morphed into products, like larva-cocoons yet to be butterflies. He would expect great things ahead and huge opportunities for those who could position themselves to take advantage of them. He would be awed by the pace of DNA sequencing and think about how it might impact the world 10–20 years from now and want to root around for possibilities now.

He would study politics for fun, endlessly, but wouldn't overly fear the left or the right, either in America or the world. He would, as always, be more conservative than liberal, but he would prefer a president who is more competent regardless of whether liberal or conservative, and he would find too little competency at all in either political side. He would go by the old 1940s and '50s line, not heard for a long time now: "I vote the man, not the party." That said, he was heavily ideological and heavily more conservative than liberal—but would still prefer a more competent liberal to a conservative he considered less competent—as he thought most politicians were largely incompetent or they wouldn't be in politics. Hence he would, in 2012, prefer President Obama over any of the four remaining Republican aspirants, as I write, because he would see Obama as more competent than they despite seeing Obama as ideologically deficient.

As to Mitt Romney, leading the run for the republican nomination as I write, he would presume him less competent, and probably not really all that good when he was in the private sector—instead mostly lucky and likely mostly a skilled corporate politician at Bain. Why would he so conclude? Because he would believe that were Romney really capable as a CEO, a manager, a business leader, and developer of leaders, that he would never have left the private sector to run for lesser office. He believed in his bones that being a super CEO was simply the cat's meow. His view now would be that were Romney really any good, he could have made a much bigger difference to the world as a game-changing CEO in the private sector than as a senator or governor, should have known that, and never strayed into his original runs for office. Rick Santorum? Newt Gingrich? Ron Paul? He would see all of them as unfit to manage anything he would think worthy of management and he would have weighted that over ideology. He would say, “Where is the management competence?” He would have said the same thing about Obama in 2008 but also about McCain then (and even more so). In 2012 he would hold his nose tightly and vote for Obama. He thought his own way in the past and he would now.

He would look at emerging markets but he would look at them exactly as he looked at Silicon Valley long, long before it was called that when he was young in the 1930s.

Of firms with bigger market caps he would ask how deeply its roots were embedded into the economy. He believed in big companies having “big, deep roots” economically. He said that verbally a lot. I always thought it ironic. He actually knew very little of tree or plant physiology. As somewhat of an avocational tree expert with a lot of training and experience in this field I always kept my mouth shut on this with him because I didn’t want to deprive him of a fully functional analogy even though it was inaccurate in it details. Most of the world’s biggest tree species have shallow root systems devoid of taproots, including California’s massive redwoods. But he would think, “How big and deep are its roots?” The more turbulent the times, the more he thought that.

So he would have seen Facebook as a huge fad likely to be worth a lot less a decade or so from now and not worth his time. He would ask, “Where are the roots?” He saw a lot of things that were fads and not worth his time. What he wanted in a big cap stock were big, deep roots. Otherwise he feared it might topple. His view of Facebook would be that they don’t have the potential for the “steady stream” of new products he talks about in points two and three of his 15 points in *Common Stocks and Uncommon Profits*. Hence, no roots, a toppler waiting to tip. When others now talk about what’s happening here and now with Facebook he would think they were silly. Not, “nuts,” one of his favorite words, but silly and pointless. He would think there is no way to know where and when Facebook will peak, hence no point in worrying about it, but that the long term for it likely is not so good. With a smaller cap stock he would want to know if they could grow big, deep roots over time. He wanted the roots to grow, essentially, as a percentage of the total. Bigger, deeper roots made a big stock, with less explosive potential upside, still more valuable, relatively, because it could endure and grow.

He would still like a stock like Texas Instruments or Intel, seeing 15 more years of Moore's Law ahead and being sure the stocks would do well. Deep roots! Strong on the 15 points. Able to take advantage of the opportunities which remain to this very day—which remain of a magnitude unfathomable to almost all investors. And able, as he wrote in *Developing An Investment Philosophy*, about Raychem Corporation (now long removed from public ownership and part of Tyco International) to do difficult things others likely won't try. He liked firms that could and would do difficult but worthy things.

He would believe now in ownership of common stock as much as ever, partly because he believed that stocks, when they are unfashionable, will eventually be good investments, and they are always unfashionable for years and years after big bear markets. But even more importantly he would believe in common stocks because ownership of well managed companies, in one way or another, is the only way to harness what he always saw and would see now as the endless fruits of human ingenuity.

He would urge you toward stocks for the rest of your life thinking long-term about how to harness those fruits. And here you have all his writings to give you his thoughts on why and how to do that. So, these have been my last three bits on my father and his writings.

Have fun. Do well. And I hope you benefit from his writings as so many have over the decades and will continue to generation after generation. His wisdom is apparently timeless.

Ken Fisher

Kings Mountain, California

March, 2012

COMMON STOCKS AND UNCOMMON PROFITS

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Introduction

Kenneth L. Fisher

This is among the most beloved investment books of all times, among the bestselling of classic investment books, and now forty-five years old. My father wrote his original preface at my childhood home in September 1957. It remains herein. Forty-five years later in October 2002, in my current home, I dare write this, this book's first new preface in all those decades.

If you've read my revised preface, you might think my father is deceased. No. As I write, he is ninety-five and alive. But he is reduced by the awesome wreckage induced by late stages of aged senile dementia and probably by Alzheimer's disease (there is no right way to be sure). He is at home, in bed, about thirty feet away from where he wrote Common Stocks and Uncommon Profits and his other writings.

He deteriorates steadily. To those few of us taking care of him, it is startlingly quickly. By the time you read this, he may well be deceased. He will never read these words—were they read to him, he couldn't follow their meaning for more than a sentence or two before losing the thread in dangling disconnects cut by his dread disease. He was a great man but is now just a little, old man very late in life. But he is my little, old man. What this disease routinely does to people is nothing to be ashamed of; it is just a disease, not a failing. When I wrote my third book, based on one hundred cameo biographies of dead pioneers of American finance, I defined it as "dead" pioneers only on the premise that dead people don't sue, just in case I got anything wrong. But I also did so because I purposefully didn't want to cover my father in any regard. I didn't want to say anything that might hurt him if I interpreted him differently than he might have wished, which I well might have.

Now I need not worry about that because he won't know what I say here. So it is time to tell you a bit about the man who wrote one of the best beloved investment books of all time. I'm best qualified to do so because I know him better than anyone if you combine business and personal matters. Oh, certainly, in other ways my mother, his wife, knew him far better than anyone. My aunt, his sister, knew him longer than anyone. But their relationships were basically personal, not business. Yes, I have an eldest brother who worked very closely with him briefly and was temporarily my business partner and to whom I'm close. But Arthur's professional time span around Father was fairly short. He evolved to academic humanities, where he is today. Father always loved Arthur foremost of his three sons, and Arthur was more emotionally linked to Father than I was. But Arthur would be first to tell you I spent vastly more business time around Father over many more years and had a day-to-day relationship with him when Arthur couldn't, materially because Arthur lived a thousand miles away.

BEGINNINGS

My paternal ancestors were Jewish, mainly from Prague, Czechoslovakia, and Germany, all arriving in San Francisco in the early 1850's. My father's paternal grandfather was Philip Isaac Fisher and was both Levi Strauss's original accountant and the person who opened and closed Strauss's first store for him on a daily basis and served Strauss his entire career. My great-grandfather was not wealthy but at his death was financially comfortable. His wife died young, and his eldest daughter, Caroline or Cary, donned an important role caring for her siblings. My grandfather, Arthur Lawrence Fisher, the youngest of eight, adored Cary, who played partial surrogate mother. Born in 1875 in San Francisco, Arthur Lawrence Fisher grew, graduated from UC-Berkeley, and attended Johns Hopkins Medical School, graduating in 1900 and returning to San Francisco to practice medicine as a general practitioner. Later (perhaps in World War I but maybe earlier, during post-doctoral scholarship-based research at Rockefeller University), he developed a specialty in orthopedics, becoming the third orthopedic surgeon west of the Mississippi and a founding member of the Western Orthopedics Society. In 1906, Philip Isaac Fisher died, stalling briefly Arthur Fisher's marriage to Eugenia Samuels. The marriage stalled again behind the infamous 1906 fire and earthquake. Finally they married, and my father was born the next year, on September 8, 1907. He was named originally Philip Isaac Fisher, after his recently deceased grandfather.

Four years later in 1911, my father's sister, his only sibling, was born. She was named Caroline after Aunt Cary. Aunt Cary had married well, to a Levi Strauss relative named Henry Sahlein, who was introduced to Cary through her father. Aunt Cary played an important role in the lives of Fishers for two generations, those of both my grandfather and father. Aunt Cary not only secretly bankrolled my father's education (something he never, ever knew), but also secretly gave my grandfather money to buy a car for Father that became serendipitously seminal to his career evolution. And Cary provided ongoing family social structure that enriched Father's fragile emotional existence as a child—a process that continued for decades. If my parents had had a daughter, she would have been named Cary, as was their first grandchild.

Unlike many doctors, my paternal grandfather was largely uninterested in money. He did a great deal of charity work and academic medicine, but he didn't care for business or money. When his private practice patients couldn't pay, he simply cared for them anyway. When he sent out bills that went unpaid, he ignored rebilling or collection attempts. He was thought of by myriad people as saintly for his kind, warm, and generous persona. Fortunately for his immediate family, he had Aunt Cary to "secretly" bankroll him behind the scenes. Without Cary, you likely would never have gotten this book.

Father was originally privately tutored. My grandfather didn't believe in the elementary schools of the day, and Aunt Cary could afford better. Later, Father was enrolled in San Francisco's prestigious Lowell High School. He graduated at age sixteen. Smart, too young, well educated from tutoring, Father was also awkward and lacking in social skills other children normally learn in elementary school. He was frail, brittle, and uncoordinated sports-wise; and being young by comparison, he was small relative to Lowell classmates. So he felt socially insecure, which was furthered by his mother's incessantly critical and negative nature. At sixteen, Father started at UC-Berkeley; but later, with financial aide from Aunt Cary and a car paid for by her, he transferred to smaller and friendlier Stanford University. That transfer also proved fateful.

He dutifully returned to San Francisco on weekends, which began with a ritual Friday night family dinner at Aunt Cary's and Uncle Henry's. These dinners spanned almost fifty years, starting before Father's birth, and included even distant family members. The dinners were central to building Father's early social skills. (The ritual still existed briefly when I was a child.) My grandparents always attended. Father arrived directly from Berkeley or later Stanford. Cary's house, which if it existed today would be called a mansion, was built in the 1890's by Uncle Henry on Jackson Street, just off Van Ness. The multi-course feast involved much discourse and after-dinner debate that often turned various family participants combative, something my grandfather loved watching. There were lots of child-aged females; but as the only male of his generation, Father became a particular favorite of Uncle Henry, which made these events particularly memorable to father—his one chance as a young man to stand out in a crowd. After dinner, Father returned home with his parents, heading back to college Monday morning.

To Father, Stanford was spectacular. Warm, beautiful, laid-back, prestigious, he felt more comfortable at Stanford than at Cal or pretty much anywhere else. Upon graduating at twenty, and still insecure but feeling safe at Stanford, he remained in the then brand-new first class of the Stanford Graduate School of Business, again secretly underwritten by Aunt Cary. Father never knew about Cary's financial largesse on his behalf. Multiple other family members knew. Cary and my grandfather believed it was better if the beneficiary of the largesse thought it came from a father who earned his savings rather than from a rich aunt who married money.

Stanford didn't then have an investment class as it does now; but as Father has described in other writings, there was then a class that traveled to visit and analyze local businesses. Father had a car and volunteered to drive the professor, Boris Emmett; so they spent a lot of time together, which had a profound effect on Father. He felt he learned more from those car rides with Emmett than from all of his other time at Stanford combined. He described all that better than I could in his 1980 Financial Analysts Research Foundation (FAF) monograph, "Developing an Investment Philosophy," and so I won't tread there. In his original preface to *Common Stocks and Uncommon Profits*, he described his early business years, so I won't tread that turf either.

MIDDLE LIFE

As World War II evolved, Father put his business interests on ice and enlisted. Too old and too well educated for ideal cannon fodder, he got lucky. Long-time mentor Ed Heller enlisted ahead of him and pulled some strings—somehow Father was made an instant officer and hence never saw the front line. Instead, he fought the war from behind desks all over mid-America, doing accounting and finance for the Army Air Corps. On day one, he was a lieutenant, which he found awkward. On reporting for duty, in uniform, lower-ranking personnel would salute him, yet he didn't know how to respond. Senior personnel expected respect and appropriate behavior, which he also didn't know how to deliver. It took time to adjust. He hated the military, thought of it as a terrible time, despite admitting quite readily that he was treated well by it. He hated the regimentation, the lack of freedom, and being ordered about. When stationed in Little Rock, Arkansas, he met my mother, Dorothy Whyte, who was also in service there. My mother came from Camden, Arkansas, which is very close to where President Bill Clinton was later raised. Father flipped head over heels for my mother instantly and asked her to marry him only weeks into their relationship; she immediately agreed. In 1944 my eldest brother, Arthur, was born—mother having been sent ahead to San Francisco to be with my grandfather for his medical supervision prior to and after birth. She remained there until Father's discharge, whereupon he returned home and renewed his business interests as described in his monograph. Donald was born in 1947 and I in 1950. In between the birth of Donald and me, a daughter died in childbirth.

Shortly after I was born, they bought a house on the site where they now live in San Mateo, California, twenty minutes south of San Francisco. But they came to hate the house while loving the acre on which the house sat. They loved the views, the trees, and the landscape. Father ripped the house down and built the house in which I was raised and where he and my mother resided ever after. We rented a house a block away during construction. When complete, the house was big, all white, clean, and austere. In my father's house, everything must be neat to a fault. Possessions in all forms were sparse and exactly in their places or they drove him nuts. He loved the yard. Until very late in life, he spent almost a complete day each weekend in the bottom of the yard, which was almost wild but with spectacular oak trees and wildflowers. He would weed and tend to his wild-like garden and worry about all the things he fretted about, whether the stock market, politics, family matters, or whatever; and to him that time was a marvel, curative for everything annoying him. It was only as his dementia started, causing him to fall often, that he gave up the garden.

The late 1950's and the 1960's were the high point of Father's life, in my view. In 1958, *Common Stocks and Uncommon Profits* was published, making him an instant, national star. Locally, it made him sort of the dean of the San Francisco investment community. I doubt anyone had before received so much instant stature from an investment book. Certainly, tied to its era, Benjamin Graham's *Security Analysis* took much longer to become prominent. Local names that held sway in 1960 included Dean Witter, who founded and headed that great and locally-based brokerage firm. But to Dean Witter, New York was the mecca. And the public already fathomed that a broker was not a money manager. The then famous Gerald Loeb, also of San Francisco Jewish origin and also a broker, may have been bigger nationally, but he had long gone on to New York and lost the local link. Simply put, in San Francisco by 1960, there was no investment advisory name as noted as Father's. Different than today, all Northern California investing activities were geographically centralized in a few blocks around Montgomery and Bush Streets in San Francisco. In that realm Father held prestige of which he could have only fantasized in his insecure childhood.

There was a provision then in California state law, which still exists, allowing an advisor who maintained fewer than fifteen clients and did not hold himself out to the public as an investment advisor both to avoid Securities and Exchange Commission registration and to maintain contracts for compensation for a percent of profits that were otherwise made illegal in 1940, a point most investors don’t appreciate today. Before then, scam artists would seek clients, tell half to do one thing, tell the other half to do the reverse, charge 20 percent of the profit on whatever happened, and pick up 10 percent of the spread no matter what happened. Hence percentage-of-profit contracts were illegal for all investment advisors for more than forty years unless the person had fewer than fifteen clients and did not advertise as an investment advisor. And it was in this way that Father structured his business on his return from military service. With the fame from *Common Stocks and Uncommon Profits*, he could easily maintain as clients a few very wealthy local families who paid him well and yet required no real organization to support him. That allowed him to feel superior to others who required a more public clientele and to remain a very private person, which fit well with his social awkwardness and insecurity. Despite his fame and notoriety, he always felt uncomfortable in the public spotlight and avoided it.

Flashback to 1945. Herbert Dougall was hired by Stanford and started the Graduate School of Business’s first dedicated investment course. In all of history, only three people ever taught that course. Dougall taught it from 1946 to 1968, twenty-two years in all, except for a two-year sabbatical in 1961 and 1962 when Father taught the course on a part-time, temporary basis. Among Father's students was Jack McDonald, who was hired by Stanford in 1968 and who has taught the course ever since. When Dougall was away, it was largely on my father's reputation deriving from *Common Stocks and Uncommon Profits* and from his alumnus status that caused him to be picked. Father loved it. It revived his youthful love affair with Stanford. Had Dougall not returned, I could envision my father doing that course, part time, forever. But Dougall did return, and Jack McDonald took over in 1968. By Jack's testimony, it was Father who got him interested in markets. Before that, Jack had been a young Hewlett-Packard engineer who changed the course of his life's work at the junction when he met Father. Jack has since said that Father's major contribution, as seen through *Common Stocks and Uncommon Profits*, is to be the first person to link the models of sustainable growth with the concept of competitive advantage. Today, that is a pretty standard package, but not then. In some ways Jack sees Father more as a seminal strategist than as a stock market innovator or operator.

Anyway, for the many students and business folks who hold Stanford in awe and respect its MBAs highly and who think those who took its graduate investment course advantaged, note: For a very long time, that course was taught either by the author of the book you hold in your hand (for two years) or by his disciple, and by only one man before, ever. What a testament to *Common Stocks and Uncommon Profits*—one few readers appreciate or know. For a very long time, until after I came to temporarily own the book's rights and then, subsequently, got into a dumb fight with Jack McDonald (which was my fault), Jack always used *Common Stocks and Uncommon Profits* as a formal or informal Stanford textbook for the course. Over the years—not every year, but for many years—Father drove down to Stanford at Jack's request to deliver an annual lecture and