

## **Investment Professionals Behavior**

*(By Benjamin Graham)*

An oil prospector, moving to his heavenly reward, was met by St. Peter with bad news.

"You're qualified for residence," said St. Peter, "but, as you can see, the compound reserved for oil men is packed. There's no way to squeeze you in."

After thinking a moment, the prospector asked if he might say just four words to the present occupants.

That seemed harmless to St. Peter, so the prospector cupped his hands and yelled, "Oil discovered in hell."

Immediately the gate to the compound opened and all of the oil men marched out to head for the nether regions.

Impressed, St. Peter invited the prospector to move in and make himself comfortable.

The prospector paused.

"No," he said, "I think I'll go along with the rest of the boys. There might be some truth to that rumor after all."

*(Source : **The Essential Buffett** by Robert G. Hagstrom)*

## **Mr. Market**

*(By Benjamin Graham)*

You should imagine market quotations as coming from a remarkably accommodating fellow named Mr. Market who is our partner in a private business. Without fail, Mr. Market appears daily and names a price at which he will either buy your interest or sell you his.

Even though the business that the two of you own may have economic characteristics that are stable, Mr. Market's quotations will be anything but. For, sad to say, the poor fellow has incurable emotional problems.

At times he feels euphoric and can see only the favorable factors affecting the business. When in that mood, he names a very high buy-sell price because he fears that you will snap up his interest and rob him of imminent gains.

At other times he is depressed and can see nothing but trouble ahead for both the business and the world. On these occasions he will name a very low price, since he is terrified that you will unload your interest on him.

Mr. Market has another endearing characteristic : he doesn't mind being ignored. If his quotation is uninteresting to you today, he will be back with a new one tomorrow. Transactions are strictly at your option. Under these conditions, the more manic-depressive his behavior, the better for you.

But, like Cinderella at the ball, you must heed one warning or every thing will turn into pumpkins and mice : Mr. Market is there to serve you, not to guide you. It is his pocketbook, not his wisdom, that you will find useful.

If he shows up some day in a particularly foolish mood, you are free to either ignore him or to take advantage of him, but it will be disastrous if you fall under his influence. Indeed, if you aren't certain that you understand and can value your business far better than Mr. Market you don't belong in the game. As they say in poker, "If you've been in the game 30 minutes and you don't know who the patsy is, *you are* the patsy."

(Source : ***The Essays of Warren Buffett*** by Lawrence A. Cunningham)

## **Short Memory of the Market**

(By ***John Neff***)

Investors usually invite catastrophe themselves, like two hunters who hired a plane to fly them to a moose hunting region in the Canadian wilderness.

Upon reaching their destination, the pilot agreed to return to fetch them after two days. He warned them, however, that the plane could carry only one moose for each hunter. More weight than that would strain the engine, and the plane might not make it all the way home.

Two days later, the pilot returned. Despite his warning, each of the hunters had killed two moose.

"Too much weight" said the pilot.

"But last year you said the same thing," one hunter declared. "Remember? We each paid an extra \$1,000 and you took off with all four moose."

Reluctantly, the pilot agreed. The plane took off, but after an hour gas was low. The engine sputtered and the pilot was forced to crash land.

The two hunters, dazed but unhurt, climbed out of the wreckage.

"Don't you know where we are?" one asked.

"Not sure," said the other, "but it sure looks like where we crashed last year."

(Source : ***John Neff on Investing*** by John Neff)