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Kenneth L. Fisher
Investment King

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Watches
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Billionaire Issue
The Dynamic Dozen

JULY 2000
US \$7.95/CAN \$9.95

celebrity



Ken Fisher reviews the market against a forested backdrop overlooking the Pacific Ocean.

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Fishing the Right Waters

Ken Fisher credits his Market success to understanding "Luck"

by David Giammarco

It seems somehow symbolic that Ken Fisher—one of America's reigning financial kings—is perched on a mountain peak, high above the squirreling hustle and bustle of the financial markets.

Situated atop California's Kings Mountain (sheer coincidence, no doubt), located 45 minutes south of San Francisco and 2,000 feet in elevation, sits Kenneth L. Fisher, founder, Chairman and CEO of Fisher Investments, Inc. The multi-billion dollar money management firm serves some of the world's most prestigious institutions, foundations, Fortune 500 companies and high net-worth individuals. Its star-studded client list ranges from business giants to high-profile celebrities, Hollywood studio executives and corporate CEOs.

Surrounded by 5,300 acres of lush forest preserve and spectacular views of the Pacific Ocean, Fisher Investments is headquartered in one of the most paradisiacal locales on earth. So it's no wonder that Fisher lives here, a mere stone's throw from the office. In fact, as a young boy, Fisher used to journey to this mountain where he would wile away the hours inhaling the serenity. He never imagined that one day he would settle here; first residentially, then commercially. His close proximity to the office not only allowed him more time to spend with his wife Sherrilyn and their three sons, but also obliterated his biggest pet peeve: commuting.

Fisher is certainly not prone to idly wasting time. Described as "compulsively disciplined," the fourth-generation San Franciscan first

made a name for himself in his early theoretical work during the 1970s for his development of a security-analyst screening tool known as the Price Sales Ratio, which is now part of the core financial curriculum of the Certified Financial Analyst designation.

In the early '80s, his firm created a school of equity style management called *domestic small cap value equity*, which is also now a major national category for institutional and retail investors.

The innovation continued in the '90s. Fisher forged the way into style-based investing. As Fisher puts it, "The best analogy I can use is that most money managers are hired to play guard or forward, but we are hired to play basketball. We're not restricted to investing in only securities within a given sector like Big Cap Growth or Tech, we seek investment opportunities across all the sectors, globally."

Fisher is a best-selling author of three noted finance



Custom commissioned sculpture by Al Guibara of Burlingame, CA serves to accent the picturesque environment of the mountain top location.

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books—the first, *Super Stocks*, 1984, alerted investors to valuable new methods of evaluating equities and selecting investments. In 1987, Fisher followed up with *The Wall Street Waltz*, which illuminated numerous factors affecting the market. His third book, *100 Minds That Made the Market*, profiled the most important figures of the American economy.

But perhaps Fisher is best known for his highly-respected “Portfolio Strategy”

column in *Forbes*, where, since 1984, Fisher has been making bold market calls with an impressive record of accuracy. Fisher is now the seventh longest running columnist in *Forbes*’ 80-plus year history, having influenced tens-of-thousands of investment professionals, along with millions of investors.

Independent thought, it seems, has always been Fisher’s forte. That’s partly why his company—which has hundreds of employees across North America and the United Kingdom—is headquartered

in such remote surroundings. “In the financial world, people have a tremendous tendency to think all the same things that everyone else thinks,” muses Fisher. “It’s actually very hard to build a corporate culture in the middle of an urban environment where people can, so freely, if you will, get their thoughts contaminated by all the people around them. So by having most of the firm up here, we more easily establish corporate identity and a corporate culture unique to us—which you can only get with



From left to right: Andrew Teufel-Director of Research, Jeff Silk-President and Chief Operating Officer, and Ken Fisher-Chairman, Founder and Chief Executive Officer.

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Fisher's cozy upscale library surrounded by the world's largest privately owned collection of Redwood logging history books.

the separation from a typical downtown firm."

Not only offering a tranquil setting and a handy commute against traffic, Fisher headquarters also features an extensive gym for its employees, who offset their long hours with physical workouts—whether hiking through the woods, jogging, basketball or pumping weights. Fit of body; fit of mind.

However, don't let the geographical isolation or tranquil terrain fool you. Inside Fisher Investments is a dazzling array of cutting-edge technology, producing

a flurry of real-time data, trends and advanced automatic analyses. Their state-of-the-art satellite communications and self-sufficient energy production came in handy most notably during the 1989 earthquake, when their satellite capability and huge generator kept them on-line while the rest of the area had been disabled. Fisher recalls being inundated that day with outside requests—even by competitors—all desperately clamoring for Fisher's information on the markets.

That sophisticated technology and frenzy of information aside, it's Fisher's

unique ability to master the raw data and customize it for individual client portfolios that sets Fisher Investments apart, all the while minimizing transaction costs. "What we do for different clients is different because they have different needs," explains Fisher. "One size does not fit all. We tailor a program to the client's needs and then manage around that."

In other words, their individually catered asset allocation between different types of securities provides the greatest effect on portfolio management. "Too

many investors make this important decision without the benefit of the powerful investment technologies we've developed. When we've decided what proportion of equities to hold, we further narrow our search for investments by studying different investment styles," is how Fisher describes the process.

"We use market and economic data that we refer to as style drivers to ascertain the styles we expect to outperform others. Specifically, we scrutinize whether big or small, value or growth, and foreign or domestic equities are expected to perform well. After doing all this, we use *quantitative, qualitative and fundamental* analysis to find out what we consider to be the best equities to own. Fishing in the right waters means seeking superior equities only in the investment styles that are likely to perform best."

Whereas this kind of customized service has long been offered to his institutional clients, Fisher's Private Client Group leverages its technology to deliver the same customized portfolio management to their high net worth investors—individuals investing between \$500,000 to \$50 million—which utilizes the same philosophy Fisher's developed over his more than 25 years of experience managing money.

One could say that Fisher is a "chip off the old block." He first learned investing from his father Philip A. Fisher, a legendary growth stock investor whose 1958 book, *Common Stocks and Uncommon Profits*, was the first investment book to hit the *New York Times* Best-Seller List. Through his writings and his record of success, the elder Fisher had an enormous influence on the evolution of Wall Street as well as a vast array of investment professionals, including Warren Buffett. Even though Ken was the only person his father professionally trained, the younger Fisher originally had his mind set on pursuing a career in forestry. "I always loved the woods, and I wanted a job that would allow me to live a life in the woods," he recalls.

"But I ended up defaulting to

something that was within the vision of my family," he adds, relishing the fact that he now has the best of both worlds. "I had quickly realized that working in forestry, no matter where, was really working for the government, or working as the foil on the other side to government." Switching majors, Fisher quickly snapped up an economics degree and went into training as a securities analyst.

In working for his father, Fisher quickly realized they had diverging philosophies. "It was something I figured out was not going to work very well," he remembers. "When I started with him, he was already 65 years old and, in that regard, was very habitual. At that point in time, he was not interested in changing very much...and I am very much of a

"I'll tell you something that most people don't understand," he explains, "which is: the more you realize how much of what you do is luck, the luckier you get."

rebel." So in 1973, he broke away. "I had to go off on my own and learn other ways in other places," he says. Fisher launched his own company.

Throughout his trailblazing career, Fisher has shown an extraordinarily prescient feel for the market. Others were caught flat-footed in the crash of 1987; Fisher called it before it happened. The same goes for the short-lived Bear Market of 1990. He got his clients on board early for the long-running bull market of the '90s, advising against bailing out over Y2K jitters, then warning investors about the tech stock bubble bursting in 2000.

Fisher says there's a simple key to his lucrative track record: luck. "I'll tell you something that most people don't understand," he explains, "which is: the more you realize how much of what you do is luck, the luckier you get."

He says it all comes down to two main drivers in all financial decisions. "One of

them is pride, and the other is regret," he elaborates. "The first is a demonstration of skill of repeatability, things that would lead to bragging rights—I bought it, it went up, I'm smart. The other is a desire to have it not be your fault that it didn't work out—I bought it, it went down, the *broker* sold it to me." So because of the way the brain works, there is a tremendous overwhelming tendency to accumulate pride and shun regret. This is useful for people because it reinforces the desire to keep trying.

"I was lucky enough early on to understand pride and regret," he continues. "What that taught me was that instead of accumulating pride and shunning regret, to shun pride and accumulate regret and use that regret to be introspective. The more you keep doing that—and this is the part that I can't explain because it's nearly spiritual, and I don't understand it—the luckier you get...luck comes from accumulating regret, using it to be introspective."

Throughout the years, Fisher says his goals have never wavered. "My goal is to never get *there*—to never have an investment philosophy that's complete; to never have an investment strategy that's complete," he maintains. As a true pioneer in the investment world, Fisher boldly states, "We believe we've created the world's best money management service for high net worth individuals. The world is changing, and we want to change *faster*," says Fisher. "As a kid, I learned from my father to keep developing new tricks that competitors hadn't figured out yet—to do fundamental capital markets research to innovate new tactics and techniques our competitors don't and can't have yet, giving us an edge, an unfair advantage. All I really want out of life is an unfair advantage; that's how you make money in the financial markets."

Fisher attributes his success to understanding luck. *We think differently.* ▲

Fisher Investments Web Site: www.fi.com
E-Mail address: info@fi.com
Tel. (800) 568-5082