

# Michael Farmer had an "Annual Yield of 20% for 9 years (Benchmark is 3%)"

InvestingByTheBooks

SHARING OF FINANCIAL WISDOM



MICHAEL  
FARMER  
UK

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## Investor profile at InvestingByTheBooks:

The book *The World's 99 Greatest Investors: The Secret of Success* provides a unique opportunity to learn from the most prominent investors globally. In the book they generously share their experiences, advice and insights and we are proud to present these excerpts. Magnus Angenfelt, previously a top ranked sell side analyst and hedge fund manager, will be presenting one investor per month. For those who cannot wait for the monthly columns, we strongly recommend you to buy the book. The

investor himself writes the first section below and then Angenfelt describes the background of the investor and comments on his investment philosophy. Enjoy.

- Go where there is little risk, but where there is potential for great reward—Opportunity.
- Don't get euphoric!—Wife's wisdom.
- Sell what you haven't got and buy what you don't want—Contrarian.
- Fear God, not man—We're not here forever.

BORN Kent, UK 1944.

EDUCATION Secondary school.

CAREER Farmer left school at 18 and went to work at A. J. Strauss, a metals trading firm in the City. He started as a 'difference account clerk'. Between 1984 and 1989, he managed the non-ferrous metals positions at Philipp Brothers, the biggest global metal trader of that period. He left in 1989 to form the Metal & Commodity Company, a subsidiary of Metallgesellschaft AG, which became the world's largest trader in physical copper and nickel and was floated on the London stock market in 1999. One year later it was sold to Enron. After taking two years off to study the Bible he founded RK Capital Management with two partners in 2004.

**INVESTMENT PHILOSOPHY** Farmer is a commodity investor specializing in copper. His road to success is concentration, experience, and profound knowledge. He and his team try to be more up-to-date about the copper market – both suppliers and customers – than anyone else. Often being contrarian in this highly volatile market also requires a big portion of guts and stamina. In 2006 the fund was up by 188% followed by 50% decline the year after. Farmer probably stands for one of the most volatile investments in this book. This, despite the fact that he does not deal much in options and futures, but instead trades physical base metals between producers and consumers. Farmer says his faith makes him a better money manager by keeping him humble.

**OTHER** He is nicknamed Mr. Copper and he is regarded as one of the most successful commodity traders in the world. He and his team manage at present £2.3 billion. In 2011 he topped Bloomberg's league of global mid-cap hedge-fund returns, and was named the most successful small hedge-fund manager in the world. Despite the recent tough and volatile environment in the metal market - when peers have struggled and several closed down the operation – Farmer has the last three years delivered double digits yearly return. Farmer is often responsible for shipping around 15–20% of China's copper supplies. He has donated £2.3 million to the British Tories and in 2012 was appointed co-treasurer of the Conservative Party. He is an active Christian.

*Sources: Michael Farmer; RK Capital Management; Bloomberg; Wikipedia.*



★ THE WORLD'S ★

99

★ GREATEST INVESTORS ★

THE SECRET OF  
SUCCESS

MAGNUS ANGENFELT

ROOS &  
TEGNÉR

*The World's 99 Greatest Investors: The Secret of Success*

Written by Magnus Angenfelt

Data as of 6/30/2018

This is an excerpt from the book entitled *The World's 99 Greatest Investors: The Secret of Success* by Magnus Angenfelt (published by Roos & Tegnér). The information contained in the excerpt is not guaranteed as to its accuracy or completeness. This material should not be considered an offer for any of the securities referenced. The opinions expressed in this article were current at the time of publication. The information provided in this reprint does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security.

**Investing in small-cap stocks is more risky and more volatile than investing in large-cap stocks. Past performance does not guarantee future results.** Performance results are net of transaction costs and reflect the reinvestment of dividends and other earnings. Net returns reflect the deduction of the maximum advisory fee in effect for the respective period, which is currently 1.00% per annum. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Fee information is available upon request and may also be found in Ariel's Form ADV, Part 2. Results shown may be preliminary. Returns are calculated in U.S. dollars. Performance data quoted in the excerpt represent average annual gross returns of the Ariel Small Cap Value Tax-Exempt Composite for the period from 09/30/1983 to 07/31/2013 and the benchmark data quoted are the average annual returns of the Russell 2000® Index for the same period. For the period from 09/30/1983 to 07/31/2013, the Russell 2000® Value Index's average annual return was +11.17%. For the period ended 6/30/2018, the performance (net of fees) of the Ariel Small Cap Value Tax-Exempt Composite for the 1, 3 and 5 year periods was +14.34%, +7.64% and +10.36%, respectively. For the period ended 6/30/2018, the performance of the Russell 2000® Value Index and the Russell 2000® Index for the 1, 3 and 5 year periods was +13.10%, +11.22% and +11.18% and +17.57%, +10.96% and +12.46%, respectively.

Ariel Investments, LLC is a money management firm headquartered in Chicago, Illinois, with offices in New York and Sydney. Taking a long-term view and applying independent thinking to our investment decisions, we span the market cap spectrum from micro to large and cover the globe with our international and global offerings. The Ariel Small Cap Value Tax-Exempt Composite seeks long-term capital appreciation by investing in small-sized undervalued companies that show strong potential for growth. The Ariel Small Cap Value Tax-Exempt Composite differs from its benchmark, the Russell 2000® Value Index, with fewer holdings concentrated in fewer sectors. Index returns reflect the reinvestment of income and other earnings. Indexes are unmanaged, and investors cannot invest directly in an index.

Ariel Investments, LLC offers its advisory services in the form of composite accounts, which are available to institutional clients, including public and private retirement plans, union plans, foundations and endowment funds, high net worth individuals, and managed accounts under wrap programs sponsored by other firms. Advisory services provided and the fees charged will vary depending upon the nature of the account under management. Ariel Investments also manages mutual funds that are available to the public for purchase or sale directly or through an intermediary, such as a broker, bank, investment adviser or record-keeper. The performance of the Ariel Investments mutual funds will differ from the composite performance presented in this excerpt.

The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Russell® is a trademark of Russell Investment Group, which is the source and owner of the Russell Indexes' trademarks, service marks and copyrights.







**JOHN  
ROGERS**  
USA



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**W**ith nearly 30 years working in the market, I have tremendous respect for just how efficient it is. Increasingly, I think the only way to beat the market is to think independently to find the few opportunities it offers. Going along with the crowd doesn't work, and even paying too much attention to conventional wisdom – which is often groupthink – will make it very difficult to achieve outstanding results.

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Investing demands that you focus on the long term, even though most market participants are increasingly focused on the short term. The short term is noise, the long term is signal.

Investors should only buy what they understand. Whether you are talking about an individual company or a stock mutual fund, if it does not make good sense to you, you are likely to sell at the wrong time due to confusion or fear.

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**BORN** Chicago, USA 1958.

**EDUCATION** Rogers graduated in economics from Princeton University in 1980.

**CAREER** After graduating he worked as a stockbroker at the investment bank William Blair & Company in Chicago. In 1983, at the age of 24, with the financial backing of family and friends, Rogers started his own firm Ariel Capital Management (now Ariel Investments, LLC). He is the chairman and CEO of the company as well as its chief investment officer.

**INVESTMENT PHILOSOPHY** As a value-oriented investor, Rogers originally had the simple idea of identifying undervalued small and medium-sized stocks with a proven ability to grow over the long-term, and then holding them until they reached full value, which turned out to mean four or five years. This was a tactic that worked then, and still works now. He believes that

patience, independent thinking, and a long-term outlook are essential to achieving good returns. His fund seeks to purchase companies whose prospects allow for double-digit cash earnings growth with a low valuation relative to potential earnings. The P/E multiple should be less than 13 times forward cash earnings and/or a 40 % discount on the intrinsic value (counted as private market value PMV), or the price a professional investor would be prepared to pay for the whole company. In addition he also requires several parameters of quality in the process. The company should have high barriers to entry, sustainable competitive advantages, and predictable profit levels.

**OTHER** Roger's passion for investing started when he was 12 years old, and instead of toys his father bought him stocks every birthday and Christmas. Since 2001, he has written a regular column, 'The Patient Investor', for Forbes magazine.

Ariel Investment has close to \$5 billion in assets under management and is the largest minority-run mutual fund firm in the US. Its logo is a turtle, and the company slogan is 'Slow and steady wins the race'. Ariel runs an academy for children in one of the most deprived communities in Chicago.

Beyond Ariel, Rogers serves as a board member of McDonald's Corporation and is a director of the Robert F. Kennedy Center for Justice and Human Rights. Following the election of President Barack Obama, Rogers served as co-chair for the Presidential Inaugural Committee in 2009. He is a former basketball player.

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**Sources:** John Rogers; Ariel Investments; Wikipedia.

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