

Sticking to your investment philosophy is the key to success

By Ivey Communications

If the fact that Patient Capital's shareholders must always invest their personal funds along with those of clients doesn't tell you then Vito Maida will, sticking to a strong set of values and to your business philosophy is the key to success in value investing.

Maida MBA '87, an Ivey alumnus and founder of Patient Capital Management spoke in the final event of this year's value investing speaker series. In his talk, Maida emphasized the value of sticking to your investment philosophy and core market beliefs.

"We simply will not compromise our investment principles," explained Maida.

Patient Capital's philosophy can be summarized this way:

- Look for long term absolute value;
- The preservation of capital is critical;
- Purchase investments with a margin of safety;
- Average down on purchase price - i.e. buying more stocks at a lower cost to reduce the average purchase price;
- Buy small interests in a high quality businesses;
- Avoid complexity in the selection of equity investments.

Maida also explained that, along with having an investment philosophy, value investors should also clarify their investment beliefs. The core belief Maida emphasized is that time is critical to success: the longer the time frame, the higher the likelihood of success.

Giving an investment time allows for an investor's business thesis to materialize, reduces taxes and trading costs. According to Maida, five years is the minimum length that a value investor should hold onto their investment.

Even though Maida makes the ingredients for success quite clear there are often factors that impede successful value investing. Some, Maida explained, just do not have the right temperament for value investing. Others may make the mistake of over-diversifying their investments.

But the most common roadblock is having business objectives that are at odds with the investor's financial responsibility to their clients. For example, many investors are given short time frames in which to make their investment.

"If you have professional pressures this isn't going to work," Maida explained.