

Investors idolize financial Hall of Famers

By Andrew Leckey – July 17, 2011 (excerpt)

While basketball players may aspire to "be like Mike," as in NBA great Michael Jordan, investors have a variety of role models to choose from. Finding one that suits their personality is not easy, so it makes sense to study as many as possible.

The best-known names excel in common sense and patience.

"Peter Lynch, who ran Fidelity's Magellan Fund, became a household name and would be at the top of my list of famous investors," said David Kudla, CEO and chief investment strategist for Mainstay Capital Management LLC, Grand Blanc, Mich. "He was a proponent of investing in what you know, popularizing the idea of having local knowledge."

Popular Lynch books "One Up on Wall Street" and "Beating the Street," both co-authored with John Rothchild, helped educate average investors. Under Lynch's management, the Magellan Fund grew from \$20 million in assets in 1977 to \$18 billion when he retired in 1990. His principles of investing in what you know and remaining fully invested apply today and will apply tomorrow, Kudla said. ...

...What sets famous investors apart? There are some common traits: ...

...They don't fall into easy traps. • A stock can be classically undervalued and look attractive, yet stay undervalued for months or even years, warned Kudla. That's OK if it has a good story behind it or there are catalysts for some short-term movement. However, just buying a stock because it is undervalued and because you like undervalued stocks can be a big mistake, he said.

They are their own people. • Lynch bought for a longer-term horizon, but he was also a money manager and fund manager who had to change positions from time to time, Kudla pointed out. However, Buffett buys investments for decades or "almost forever," he said. Buffett knows his own mind and is loyal to his logic. Forester places Lynch, who benefited from investing at a time of low stock valuations, in the growth investor category.

They give back to society. • Star investors represent the most active of philanthropists, giving time and money to causes that they consider worthwhile.

Of course, hard work and a thick skin are other common characteristics of the stars. ...

...Some travel to the beat of different drummers. Hedge fund manager George Soros gained his reputation as a bold, successful speculator over decades, igniting controversy in the process, with some governments accusing him of sinking their currencies with his strategies, said Kudla. ...