

Total Return

By Melody Hobson

HIT THE BOOKS

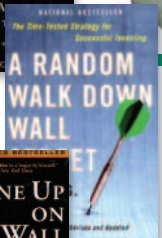
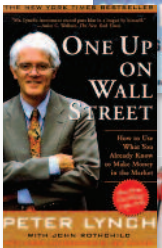
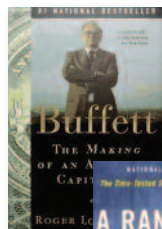
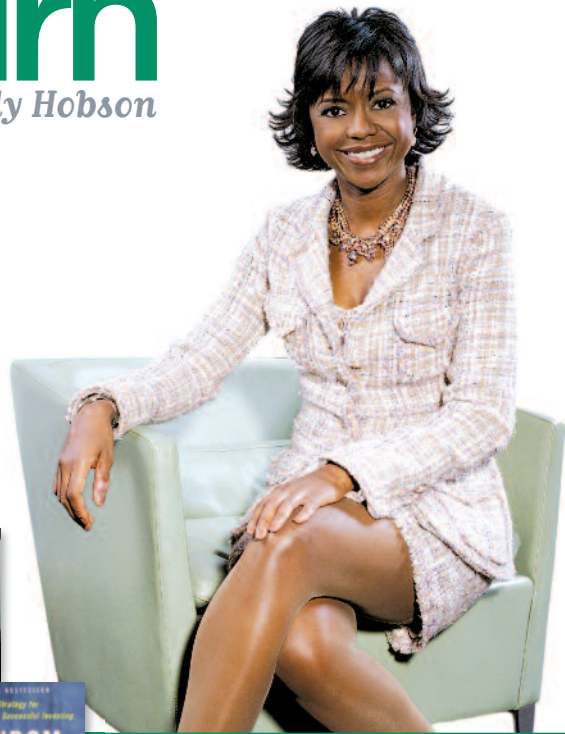
Four terrific picks to help you learn more about investing

IF YOU REALLY WANT TO RAISE YOUR INVESTING INTELLIGENCE, hit the books. Even reading just 15 minutes a day can make a big difference. Beyond magazines and the business section of your daily newspaper, you might be surprised by how many fascinating books are out there about investing. I'm not talking about textbookish fare that will help cure your insomnia, but real page-turners—the kind you won't want to put down. The titles on this list are so chock-full of practical wisdom that they enable investors of all levels to learn something new. And with summer now in full swing, these books also make for great beach reading.

I literally read *Buffett: The Making of an American Capitalist* by Roger Lowenstein (Random House; \$19) in a weekend, it's that good. This is a biography of Warren Buffett, the CEO of Berkshire Hathaway who's widely recognized as the greatest investor of our time. One dollar invested with Buffett when he began his career back in 1956 is now worth \$47,317—while a \$1,000 investment over this same time frame would be worth a mind-boggling \$47 million today. He amassed an enormous fortune on this simple premise—if you can't explain a stock idea to a 6-year-old, move on. Lowenstein also does an excellent job describing Buffett's approach to value investing, using examples such as Coca-Cola and The Washington Post, as quintessential Buffett stocks. As the book eloquently spells out, value investing means buying stocks that are selling at a significant discount to a company's real worth—this is very different from simply buying stocks because they are cheap. The book gives readers an appreciation for Buffett's investment philosophy and genius and, along the way, provides an up close and personal look at a one-of-a-kind life.

Burton G. Malkiel's *A Random Walk Down Wall Street* (W.W. Norton & Co.; \$18.95) is another favorite and one I've read and reread many times. Practically every page of my copy is dog-eared or full of underlined passages because I consider this to be the gospel when it comes to investing. Malkiel describes why the stock market is efficient—explaining how all the good or bad news related to a company is reflected in its stock price. So, no one really has a leg up. Anyone can become a good investor by putting his or her mind to it and doing the necessary homework. If you are looking to get a better handle on the basics, *A Random Walk* provides a terrific foundation.

My next pick is *One Up on Wall Street* (Simon & Schuster; \$15) by investing superstar Peter Lynch—the former manager of the Fidelity Magellan fund. An initial investment of \$1,000 with Lynch during his



13-year tenure as fund manager would have grown to more than \$28,000. Like Buffett, Lynch also follows a simple philosophy—invest in what you know. He looked for everyday products and services used in any economic environment. My favorite example is his impetus for purchasing stock in Hanes, the company that makes L'eggs pantyhose. While grocery shopping with his wife, Lynch watched her pick up a pair in that distinctive egg container. He thought the concept of selling stockings alongside groceries was brilliant. After doing his research, he bought shares of Hanes, which rose sixfold during the time his fund held it, making lots of money for his shareholders.

Next up is Michael Lewis' *Moneyball* (W.W. Norton & Co.; \$13.95). As the saying goes, you can't judge a book by its cover. At first blush, this book appears to be about baseball, but really, it's about value investing. *Moneyball* chronicles the career of Billy Beane, general manager of the Oakland A's, who assembled consistently winning teams on a bare-bones budget by looking at stats instead of star power. His players didn't always hit it out of the park, but their ability to consistently slug out singles and doubles added up to an incredible American League record for consecutive victories. Value investors analyze companies in much the same way that Beane sought out baseball players, looking for strong fundamentals and returns that can stand the test of time.

If you can't decide which book to choose, my recommendation is to begin with *Buffett*. It's a fascinating story about how a regular guy makes real money—and lots of it. After all, isn't that what we're all trying to do?

Melody Hobson is president of Ariel Investments, a Chicago-based money management firm. She is also a regular contributor to ABC's *Good Morning America*.