Philip Fisher Resource Page

Profile

Philip Fisher was not a value investor, in fact he was a growth investor; however, he had such a profound impact on value investing that he must be mentioned on this page. Additionally, Fisher was a long term investor who invested based on fundamentals, and it can be argued that he mixed value and growth like Warren Buffett and Charlie Munger.

Although, Morningstar declared Philip Fisher as ‘one of the great investors of all time’ it probably does not do him justice. Fisher received a much more prestigious endorsement from the oracle of Omaha. Warren Buffet claims he is ‘85 percent Graham and 15 percent Fisher’. I personally would argue that Buffett is more 85 percent Fisher and 15 percent Graham at this point.

Fisher also had a large influence over another great investor, his son Ken Fisher. Ken Fisher's stock picks in Forbes, returned 9.9 percent annually over 14 years, versus 4.7 percent for the S&P 500 (data through 2010).

Considered by many who know are familiar with his legacy as the father of growth investment, Fisher was more than just a growth-stock investor. His diverse career includes management of venture capital and private equity and adviser to chief executives. He authored three books, which are regarded as investment must-reads, and also taught at Stanford Business School.

Despite dropping out of Stanford Business School, Fisher was one of the three instructors to teach the investing courses at Stanford Business School. Among his student was Jack McDonald, the current professor, who has for the 40 years has instructed his class to read Fisher's books in order to pass the course.

Owing to his rather reserved personality, he would not have come under the spotlight if it was not for his first book ‘Common Stocks and Uncommon Profits’ which came out in 1958. The book was written by Fisher during the post-World War II bull market period which had brought great prosperity. It was the first ever investment book to make it in the New York Times' best-seller list.
Fisher, who passed away in 2004, was probably the last one of the few investors who witnessed the 1929 market crash while staying solvent. He began his 75-year career in 1928 as a security analyst at the Anglo-London Bank in San Francisco. Later he temporarily switched to a stock exchange company, prior to establishing his very own firm Fisher & Company in 1931.

The firm, which was under the management of Fisher till 1999, realized substantial gains for the clients who Fisher carefully selected. He was very selective regarding his clients not because he felt only few were worthy of being his clients, but rather because he had high concerns with being in check of his company’s assets to maintain control and quality.

**Investment Philosophy**

One of the most illustrious examples of his proficiency in money management is evident with his purchase of Motorola in 1977, which Fisher and held till his death. When he purchased the stock, Motorola was just a radio manufacturing company and was not recognized for any strong R&D, and management of the company. Fisher, being the long-term growth-driven investor, purchased the stock and saw it grow 20-fold in 20 decades.

His first book, a New York Times' best seller, elaborates on 15 points (listed below) which perfectly captures the essence of his investment philosophy. This philosophy is commonly known as 'scuttlebutt'.

In his book, Fisher recommends investors ask questions regarding the long-term sales growth potential, competitive edge, high management capability and vision, effective research and development undertaken by the company, strong profit margins, and internal company relations; the answers from these questions can help an investor find the right growth stock to keep for the long-run.

According to Fisher, investigation was the key to successful investing. He coined the term ‘scuttlebutt’ which is probably the most essential aspect of his investment philosophy. ‘Scuttlebutt’ was the process of going beyond the financial statements or company disclosures and investigating the internal and external stakeholders of the company to get in-depth information and wider perspective on the business to realize growth potential.

Fisher always questioned the customers, former employees, suppliers, competitors and the management team of the company he was interested in to get a clearer picture of the potential stock holding before investing. Countless value investors utilize this approach today.

This intense research methodology allowed Fisher to maintain a concentrated portfolio of 30 growth-stocks. He believed over-diversifying a portfolio was over-rated.

Warren Buffet adopted this very approach of holding a concentrated selective portfolio from Fisher along with the strategy of not following the crowd. Fisher believed in capitalism and refrained from letting the doomsayers impact his investment decisions.
He was of the view that if the company satisfied the 15 points which determined the long-term growth potential of the company, holding the stock of that particular company on long-term basis would eventually lead to gains, regardless of any short-term losses. He has famously stated that the time to sell a stock is almost never if the right kind of company is purchased after extensive research and analysis.

When comparing Graham and Fisher, it could be observed that Fisher was willing to pay more for a stock he felt it had high growth-potential regardless of the fact that it might not be an under-valued company according to value-investing standards. However, similar to most renowned value investors who survived the dot-com bubble burst, Fisher warned against the purchase of promotional companies and falling for the usually manipulated tone of the financial statements.

When talking about the influence of Graham and Fisher on Warren Buffet, one can conclude by saying that Buffet acquired the quantitative techniques of finding cheap stocks from Graham and qualitative ways of finding good businesses from Fisher. To Fisher, finding stocks with statistically proven ‘bargain prices’ was not enough if qualitative aspects were not kept in perspective. These bargain prices would prove to be expensive and not much of a bargain in the long-run.

He also firmly believed that carefully selected growth stocks eventually outperform bargain stocks by substantial amounts. The reason being that growth stocks have steadily growing intrinsic value, which tend to appreciate 100 percent each decade while it is rare or rather unusual for bargain stocks to be as much as 50 percent undervalued.

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**Fisher’s 15 points**

1. **Does the company have products or services with sufficient market potential to make possible a sizable increase in sales for at least several years?** A company must have products which cater to a larger target audience and should be a part of the expanding markets.

2. **Does the management have a determination to continue to develop products or processes that will still further increase total sales potentials when the growth potentials of currently attractive product lines have largely been exploited?** The company management should possess the potential of maintaining sales growth after the maturity period of the product has reached through means of innovation.

3. **How effective are the company’s research-and-development efforts in relation to its size?** To survive in the competitive industry, the company must have effective and efficient research and development which is reflected in its performance.

4. **Does the company have an above-average sales organization?** Some products of certain companies possess characteristics which make them stand out and therefore, have the potential of being bought by the public without the need for merchandizing.

5. **Does the company have a worthwhile profit margin?** In addition to growth, the
company should also have a good profit margin to increase the value of stockholder’s investment.

6. **What is the company doing to maintain or improve profit margins?** With the economic environment being unstable, there is high pressure on companies to maintain or improve their profit margin. What is important is the potential of the companies to lower their costs to achieve growing profit margin in the long-run.

7. **Does the company have outstanding labor and personnel relations?** Labor and company productivity is impacted by the labor or personnel relations within the company. Good relations lead to higher productivity and resultantly, better company output and performance.

8. **Does the company have outstanding executive relations?** Internal company relations affect the company performance thus, it is essential for any company to foster positive internal relations to avoid any illegal or undesirable management actions.

9. **Does the company have depth to its management?** The company should have authoritative and talented pool of management to properly delegate and guide lower-level management and control the business as a whole.

10. **How good are the company’s cost analysis and accounting controls?** Cost control as a result of effective and efficient cost analysis by the company is important to take notice before investing.

11. **Are there other aspects of the business, somewhat peculiar to the industry involved, which will give the investor important clues as to how outstanding the company may be in relation to its competition?** The company should possess certain competitive advantage which would help it stand out among its competitors in the industry.

12. **Does the company have a short-range or long-range outlook in regard to profits?** Companies should have a long-range outlook on profits and adopt strategies which maintain or increase profits in the long-run.

13. **In the foreseeable future will the growth of the company require sufficient equity financing so that the larger number of shares then outstanding will largely cancel the existing stockholders’ benefit from this anticipated growth?** The company should have enough liquidity and possess substantial cash holding along with high borrowing capacity to fund growth.

14. **Does management talk freely to investors about its affairs when things are going well but "clam up" when troubles and disappointments occur?** Candid discussion of the company management both in good times and bad times is necessary as the investors have the right to know what exactly is going on.

15. **Does the company have a management of unquestionable integrity?** The company management should depict trustworthiness, reliability and credibility so that the investors can trust and have confidence in the management team.

Five Don’ts for Investors

1. Don't buy into promotional companies.
2. Don't ignore a good stock just because it is traded "over-the-counter."
3. Don't buy a stock just because you like the "tone" of its annual report.
4. Don't assume that the high price at which a stock may be selling in relation to its
earnings is necessarily an indication that further growth in those earnings has largely been already discounted in the price.

**Books**

_**Common Stocks and Uncommon Profits**_ (1958) by Philip Fisher is one of the most important and famous investing books even 43 years later. The book reveals 15 secrets to high growth-potential investing and compiles the general investment philosophy of Philip Fisher. According to him, qualified and visionary company management, strong profit margin, competitive edge, sales growth and company investment in research and development were some factors worth analyzing with respect to long-term prospects if high-potential growth stocks were to be found.

_**Paths to Wealth Through Common Stocks**_ (1960) is Fisher's second book in which he elaborates on various innovative concepts of acquiring and increasing wealth through common stock holdings. This timeless classic is aims at providing the individuals who self-manage their investments as all as those who seek expert advice on investment. The book also extensively discusses factors mentioned in his previous book such as the quality of management and technology as a competitive edge.

_**Conservative investors sleep well**_ (1975) was written by Fisher during the downfall of the 1973 – 1974 bear market. The book provides the reader with facts to persuade them into buying stocks at that time instead of going with the crowd. He highlighted the components which determine good companies worth investing in during the period of bear market crash which would eventually reap high-gains through growth in the long-run.

**Quotes**

"The stock market is filled with individuals who know the price of everything, but the value of nothing."

"If the job has been correctly done when a common stock is purchased, the time to sell it is almost never."

"Although managers rely heavily on return of assets in considering new investments, investors must recognize that historic assets stated at historic costs distort comparisons of firms' performance. Favorable profit to sales ratios, notwithstanding differences in turnover ratios, may be a better indicator of the safety of an investment, particularly in an inflationary environment."

"A company might be an extremely efficient manufacturer or an inventor might have a product with breathtaking possibilities, but this was never enough for a healthy business. Unless that business contained people capable of convincing others as to the worth of their product, such a business would never really control its own destiny."
**Interview and Articles**

What we can learn from Phil Fisher

Philip A. Fisher by Ken Fisher

Philip Fisher: Growth Stock Investigator

Philip Fisher’s Investment Series: Selecting Conservative Stocks To Buy And Hold

Latest news:

[gnews search="Philip+Fisher"]

Owing to the fact that Philip Fisher was a private person, there is not much press coverage.

2011

*Philip Fisher's Investment Series: When to Sell a Stock*

*Philip Fisher's Investment Series: The Ten Don'ts for Investors*

? *Philip Fisher's Investment Series*

Rewarding Stupidity

2009

*How Can Value Investors Apply Philip Fisher's Investment*

*Philip Fisher: Growth Stock Investigator - Forbes.com*

*Philip Fisher: Growth Stock Investigator*

2008

*The Oracle of Omaha - washingtonpost.com*

2007

*Buying One-Decision Stocks*

Phil Fisher

2006

What Is Value Investing

2004

James K. Glassman on Phil Carret, Phil Fisher & Investing on NRO …

Invest like a legend - Sep. 16, 2004

Philip A. Fisher, 96, Is Dead; Wrote Key Investment Book

Farewell, Philip Fisher

World of Investing: The rewards of a long view

2002

Great Investor: Phil Fisher

2001


2000

Financial Ne

Looking for the Best Returns? Go With Growth Stocks Over the Long Term

Fool.com: If You Could Buy Only One Stock...[Fool on the Hill] May...

1999

Special Feature, April 29, 1999: Berkshire and Buffett

Honest Hard Working, Strict In Their Beliefs'

1998

Philip Fisher

AVOID URGE TO SELL - INVEST FOR LONG TERM, (Limited View)