

Learn from a legend



Originally published by the
Globe Content Studio on
GlobeAdvisor.com

JOEL TILLINGHAST

Fidelity fund manager Joel Tillinghast – he’s been compared to Warren Buffet – shares 25 years of investing advice in this rare interview.

By: VIKRAM BARHAT

Date: May 06, 2015

Joel Tillinghast is a vice-president and portfolio manager at Fidelity Investments. Based in Boston, Mr. Tillinghast manages a portion of the Fidelity NorthStar Fund, for Canadian investors. He also manages the Fidelity Low-Priced Stock Fund, a value-oriented equity fund that invests in small- to medium-sized companies on behalf of U.S. investors.

The legendary investor, who rarely grants interviews, is known for his photographic memory and encyclopedic knowledge of the companies he owns. Before joining Fidelity in 1986, Mr. Tillinghast spent four years as a financial futures research analyst at Drexel Burnham Lambert in Chicago.

We spoke to Mr. Tillinghast about how he got into the business, his investment approach and where he sees opportunities today.

How did you get started in investing?

I’ve liked numbers since I was a child. My grandparents had a subscription to Value Line Investment Survey, a stock analysis newsletter. I would read through them, pages and pages of numbers. It intrigued me.

I was entrepreneurial enough to cut my neighbours’ lawn, sell vegetables from our garden and do some other things, and saved up about \$200. I then convinced my parents to open a brokerage account where I held Central Main Power, a dividend-paying utility company, and Beckman Instruments, a company that made laboratory instruments, which fascinated me because my dad was a biochemist who used Beckman’s products. He was very enthusiastic about their quality and usefulness.

After I graduated, my first job was as an equity analyst at Value Line Investment Survey because it had this magnetic attraction to me.

What’s your investment approach? How do you pick investments?

I lean towards industries that I understand and stay away from those I don’t. To my dad’s great disappointment, I don’t understand the biochemical industry very well. I also don’t understand airlines very well. But I do understand consumer companies so I always end up finding more attractive investment ideas in that area. I buy geographies I know. I like countries from the former British empire where they speak English. Markets like the U.S., Canada, U.K., and Hong Kong are parts of the world where I want to go. I don’t understand China as much as I want to, but the burden is on me to educate myself and I’m trying to do that. I feel the same about India.

What are the most important tenets of your investment philosophy?

Don't lose money and the way to not lose money is to stay away from stuff you don't understand. I also stay away from companies with aggressive accounting, or with bad business models.

How do you evaluate asset classes?

Small caps provide better returns as well as better opportunity because most overpriced and underpriced stocks are likely to be small caps. Today, the price-to-earnings ratios of small caps are higher than large caps, so small caps as an asset class are probably not compelling, but that doesn't mean there aren't stocks within the asset class that are attractive.

In terms of countries, we have a contrarian weakness for countries that are not particularly popular, like Japan and parts of Europe. It's really a function of valuation. The challenging economic environment in Japan and Europe has weighed on investor sentiment and the valuation multiples of many companies. The market often pays you to go to places where it doesn't necessarily feel good and those areas fit that profile.

What are your sources of market information?

Fidelity is an information-rich place with hundreds of analysts in Boston and around the world. I also read newspapers like the Financial Times and, in Canada, the Globe and Mail – they're the best for stock-picking purposes. I also read magazines like the U.K.'s Investors Chronicle, which is a fantastic source for investment ideas. I go to some financial conferences, too. There is a lot of interesting information that companies present themselves.

Are there any opportunities you've missed?

The opportunities that I regret are questions of "How much more?" rather than "missed." The best stock I've ever had in the Fidelity Low-Priced Stock Fund is a company called Monster Beverage Corp. Its stock is selling for over \$100 (U.S.) and split-adjusted about a dozen years ago at 25 cents per share. I'm kicking myself that I didn't buy more of it. I really should have gone for it more than I did.

Also, AOL, which was an amazing stock in the 1990s. I did actually hold the stock, but I kick myself for not staying with it longer. Most of my regrets are I should've got more of the successes.

As seen on globeadvisor.com

Read a fund's prospectus and consult your investment professional before investing. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Investors will pay management fees and expenses, may pay commissions or trailing commissions, and may experience a gain or loss.

The article above mentions the investment returns of Fidelity Low Priced Stock Fund, a fund that Joel Tillinghast has managed since 1989. Fidelity Low Priced Stock Fund is not available to Canadian investors. Joel Tillinghast co-manages, with Salim Hart, Fidelity Global Intrinsic Value Class, which is available to Canadian investors and which is not mentioned in the article. While Fidelity Global Intrinsic Value Class is managed using the same investment approach and security selection criteria employed in the management of Fidelity Low Priced Stock Fund, the Funds follow different investment objectives and are subject to different investment restrictions and freedoms. In addition, the Funds are subject to different regulatory and tax rules, fee structures, holdings and currency exposures. The returns cited in the article should not be construed as illustrative of the performance of Fidelity Global Intrinsic Value Class.

From time to time the author of the article, Fidelity manager, analyst or other employee may express views regarding a particular company, security, and industry or market sector. The views expressed by any such person are the views of only that individual as of the time expressed and do not necessarily represent the views of Fidelity or any other person in the Fidelity organization. Any such views are subject to change at any time, based upon markets and other conditions, and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity Fund.

Certain Statements in this commentary may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable and, accordingly, may prove to be incorrect at a future date. FLS are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any FLS. A number of important factors can contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition and catastrophic events. You should avoid placing any undue reliance on FLS. Further, there is no specific intention of updating any FLS whether as a result of new information, future events or otherwise.

Current holdings and strategies are subject to change.

The statements contained herein are based on information believed to be reliable and are provided for information purposes only. Where such information is based in whole or in part on information provided by third parties, we cannot guarantee that it is accurate, complete or current at all times. It does not provide investment, tax or legal advice, and is not an offer or solicitation to buy. Graphs and charts are used for illustrative purposes only and do not reflect future values or returns on investment of any fund or portfolio. Particular investment strategies should be evaluated according to an investor's investment objectives and tolerance for risk. Fidelity Investments Canada ULC and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

