17 Books to Read to Become a Top Investor
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How to become a top investor

There isn’t a university class or TAFE course to make you a great investor. But there are 17 books to read that offer a fantastic shortcut.

It turns out that ‘talent’ or natural ability is a bit of a myth. No one really has an innate capacity to be the next Warren Buffett. Or, more correctly, many more of us have the potential to be a great investor precisely because an aptitude for investing, or anything else for that matter, isn’t hard coded into our DNA.

Practice, at least according to Outlier author Malcolm Gladwell’s 10,000 hour rule, is what matters. Based on a study by Anders Ericsson, Gladwell’s rule postulates that by allocating 20 hours a week to the attainment of a particular skill over a period of ten years (10,000 hours in total), you’ll become an expert.

The repetition of the task, be it music, sport, hairdressing or cross-dressing, delivers an accumulated advantage that to the outsider looks like talent but is in effect the result of regular, thorough practice.

Of course, in science, where all knowledge is contingent, this isn’t the end of the matter. In a paper entitled, Practice – Is that all it takes to become an expert?, Zach Hambrick and colleagues argue that practice accounts for about a third of the explanation for expertise, the remainder being explained by a combination of intelligence and working memory.

When presented with Gladwell’s thesis Paul McCartney made a similar case:

‘There were an awful lot of bands that were out in Hamburg who put in 10,000 hours and didn’t make it, so it’s not a cast-iron theory. I think, however, when you look at a group who has been successful … I think you always will find that amount of work in the background. But I don’t think it’s a rule that if you do that amount of work, you’re going to be as successful as The Beatles.’

This special report does not promise to turn you into the next Warren Buffett, or Beatle for that matter. But it will, if you apply what you learn from reading the books we recommend over the months and years ahead, make you a better, more successful investor.

REPETITION, REPETITION

Obviously you have a key. Each time you buy or sell a stock we’d like you to examine your rationale for the decision through the various viewpoints presented in the books recommended. This is your chance to practice the skills you’ll learn and get better at them.

As for intelligence, we’re taking that as read. Surely every subscriber to Intelligent Investor Share Advisor possesses this trait? And with such flattery, at the very least you’ll think you are smart, which is half the battle, and in expensive private schools far more than that.

The final component – working memory – is really beyond our control, although perhaps not yours. No one should forget the lessons embedded in their mistakes.

Either way, regardless of your intelligence or recall, practice will improve your investing performance. That has been the personal experience of your analytical team. Indeed, many speak of ‘a road to Damascus’ moment when reading Ben Graham’s Intelligent Investor or The Making of an American Capitalist when they sensed the penny drop, although generally not before losing quite a lot of money. This reading list is experience, but a far cheaper version of it.

The report is divided into four modules. The first concerns the practice of business, how some companies fail, others succeed and why. The books we’ve chosen are light, entertaining and in some cases, gripping. Regardless of your level of investing experience, you’ll find them enjoyable. Consider this a whetting of the appetite.

The second module broaches the subject of value investing in a light-touch manner, before going a little heavy, but usefully so, and in no way overwhelming. We’ll explain what value investing is, how it differs from other kinds of investing and why it works.

THEORY VERSUS PRACTICE

Theory is one thing, practice quite another. Over the years many self-described value investors have, at key moments, failed to apply what they knew to be true to their benefit.

You won’t find an explanation for this in any value investing text because it has far more to do with the human brain and how it works than anything else. This third module, on investing psychology, will fine-tune your mental skills and help you buy when your brain is urging you to sell, and vice versa.

This is a fascinating area and the books we’ve selected will help you in all areas of your life. Quite simply, if you can’t master your own investing psychology, you won’t succeed no matter how well you can value companies and spot opportunities. Although they have superficially nothing to do with investing, please do not underestimate the importance of these books.

Finally, for those that do want to extend themselves, the fourth section covers some advanced topics in the areas of accounting, value investing and psychology.

Unfortunately, there are no courses you can take or programs you can follow to become a great investor. Gladwell was right in a sense – becoming good at anything takes practice and application. This reading list of 17 books is perhaps the closest you’ll get to a shortcut.

By calling on the wisdom of expert value investors and business managers, and understanding how your brain is wired to make you do what everyone else is doing, even when it doesn’t make sense, you’re all but guaranteed to become a better investor.

Take your time, though. There are literally thousands of books on investing and business. This short list distills the essence of the very best of them, giving you a framework for making better, more profitable investment decisions and hopefully, some fun along the way. Let’s get into it.

Yours sincerely,

Nathan Bell
Research Director,
Intelligent Investor Share Advisor
Module 1:  
The business of business

The very first step in becoming a great investor is to understand why some businesses prosper and others don’t. These four books will do all that and a great deal more.

Can you invest successfully without inherently understanding how a business makes money, why it might fail and what it needs to do to grow? Possibly. But knowing the answers to such questions makes the decisions about which businesses and management teams to back far easier. That’s why we’re starting here, on the business of business.

As a publishing category, business books don’t get a huge wrap. Often, the pitch is simplistic, directed at naked self-interest; Time is short so read this one 40-page book and learn the three secrets of successful business management so that next week you can buy a Porsche. Others are hagiographic biographies or, worse, autobiographies, where successful business people tell everyone how great they are, and how you can be too, if only you do as they say.

Books such as these aren’t brimming with reflection or humility, which is one reason why you won’t find any of them listed here. The other is that they’re usually dead boring and, to all intents and purposes, useless. These four books are in another category altogether – timeless classics that offer intelligent perspectives on why businesses succeed and fail in a way that you’ll find entertaining and insightful. There is no better way to kick off this reading list.

1. Business Adventures – 12 Classic Tales from the World of Wall Street

By John Brooks

The UK Independent called this book the bible of billionaires, which is only true if by that the journalist meant Warren Buffett and Bill Gates. In 1991, Microsoft founder Bill Gates asked Buffett for a book recommendation. He mailed back a copy of John Brooks’ classic, thus turning it into the Billionaire’s Bible.

For the rest of us, this collection of New Yorker magazine articles is utterly charming. Brooks’ elegant style turns the story of ‘price-fixing in the electronics market into rollicking scandals’ and his light wit punctures egos with a wry phrase. Commenting on the founder of a supermarket chain, Brooks wrote he had a ‘gift, of which he may or may not have been aware, for comedy.’

Despite being written in the 1960s, the book hasn’t aged one bit and the lessons it teaches the reader are as fresh and relevant today as they were a half century ago. This is a wonderful way to start out on the value investing journey.

Tip: Although the book went out of print in the 1970s, there are rumours of a reissue in 2014. As a taster, Bill Gates’ website offers a free chapter here called Xerox Xerox Xerox Xerox.

2. Where Are the Customers’ Yachts?

By Fred Schwed Jr

This is the first book anyone should read on finance. Its title refers to the fable about a naïve visitor to New York’s East river, who asked the question after being shown the yachts belonging to all the most senior brokers and bankers.

The book helps the reader understand that in the aftermath of the 1929 Great Crash the industry didn’t possess a secret sauce, even if it did encourage customers to think that way.

Nothing much has changed in the succeeding decades. The secret sauce remains a promotional mirage. Now as then the finance industry is there to enrich itself first and its clients a long way second. Reading this book forewarns and forearms you against the shonks and spivs in the industry and teaches you about the power of incentives. And it’s very, very funny.

Tip: There are three editions of this investing classic. We suggest you try the 2006 version, which includes an introduction by Jason Zweig and one of the world’s best contemporary finance writers, Michael Lewis.
3. Competition Demystified
By Bruce Greenwald

Every investor needs to understand competition – or the lack of it – because it’s the primary determinant of profit over time. Everything else – innovation, management, marketing – counts for little if competition cannot be reigned in. This book introduces a crucial topic that too many investors ignore, highlighting the sources of competitive advantage in easy-to-understand language.

The best part of the book is filled with classic case studies of famous competitive battles: Apple versus IBM; Pepsi versus Coke; Kodak versus Polaroid. Generals study classic military battles to learn from the tactics and mistakes of those who came before them. Armed with this book, investors can do likewise.

Tip: Bruce Greenwald features in two videos from the Gabelli Value Investing Conference. The quality isn’t great but it might make a nice change from reading for a while. The lectures run for about 90 minutes each.

4. Enron – The Smartest Guys in the Room
By Bethany McLean and Peter Elkind

Who doesn’t love a disaster movie, wrapped in a crime drama, jam-packed with lessons for investors on dodgy accounting, crooked management and outright fraud?

Energy giant Enron was a stockmarket darling, a company that could do no wrong to everyone on the outside whilst doing all kinds of wrong on the inside. This is the story of how a greedy but intelligent culture produced one of the biggest frauds in corporate history.

Beautifully written, the authors take us through the misdeeds, self-aggrandisement and acrimony. Contemporary culture tends to venerate rich, powerful business people. This book reveals the dark side of blue chip ambition, and the flawed personalities that pursue it. As a guide to the management tricks and personalities you don’t want at the helm of your investments, there is no better guide.

Tip: If you can’t manage the book, watch the documentary film of the same name, check out the Fortune Magazine story that first called the company into question, or see this Economist abstract that explains the frauds and cover ups.

TAKE-A-BREAK RECOMMENDATION

Money
By Martin Amis

You’ve earned a break, and what better way to take it than sinking in to the looping chaos of John Self, driver of a purple Fiasco, ‘a vintage-style coupe with oodles of dash and heft and twang’ and director of ‘controversial TV ads for smoking, drinking, junk food and nude magazines’, all of which Self uses to hysterical excess.

A laugh-out-loud but sordid tale of the dangers of financial ambition, the New York Times said Money ‘seethes with Swiftian disgust at the corrupting effect of filthy lucre and the private hell of lonely gratification.’ Consider Amis’ fifth novel as an inoculation against the dangers of getting too rich, and a fantastically enjoyable read.
Module 2:
What value investing is (and isn’t) and why it works

Value investing is a way of thinking first and acting second. These books will show you the ropes, simply and quickly.

Perhaps you know enough about value investing to expect that, at some stage, you’ll be asked to calculate a load of financial ratios to establish whether a stock is cheap. Well, not here and not now. There is something more important to understand.

At its most fundamental, value investing is a way of thinking, a framework for making reliable decisions in a complicated world. The point of the following five books is to give you an understanding of that philosophy, or, if you already have some working knowledge, to sharpen and deepen it.

There’s an old saying that value investing is easy to understand but difficult to do. This section is about the theory, the easy bit. The next one — on why applying the theory is so difficult in practice — may stretch you a little more. So, relax, take a deep breath and dive into some of the easiest books you’ll ever read on investing.

5. *The Little Book that Beats the Market*  
By Joel Greenblatt

This is a wonderful introduction to investing, explaining the basics of what makes a good company. Greenblatt has said he wrote the book for his children to understand the principles of investing. It works as a great introduction without the typical jargon strewn across the pages of other finance books.

For that alone it’s worth the money. Read it in two hours and relish the fact that the author is founder and managing partner of Gotham Capital, which has delivered average annualised returns of 40% for over 20 years.

*Tip: This book is too short for shortcuts. Check out the first few chapters here.*

6. *One up on Wall Street*  
By Peter Lynch

This is another book that’s hard to beat for beginners, although it takes a different tack. Lynch is a master of demystifying investing and he explains many of the basic terms and a few slightly more advanced ideas. It’s a breeze to read and, like most masters of their subjects, makes it all seem so simple.

Lynch’s insight is to encourage ordinary investors to look at the industries they know well and use that information to build a portfolio. He also made a very encouraging observation, at least for ordinary rather than professional investors; ‘Actually Wall Street thinks just as the Greeks did. The early Greeks used to sit around for days and debate how many teeth a horse has. They thought they could figure it out by just sitting there, instead of checking the horse.’

The Lynch approach is all about checking the horse, whilst looking for the proverbial ten-bagger, a stock that rises in price tenfold. With over a million copies sold, this is another investing classic that clearly communicates simple, accessible concepts that work.

*Tip: To find out more about Peter Lynch, his investing approach and his track record, take a look at this profile. Or better yet, read the Masterclass The investment philosophy of Peter Lynch.*
7. Common Stocks and Uncommon Profits
By Phil Fisher

There’s no hiding the fact that this isn’t the easiest of reads. In fact, comparing this book with Peter Lynch and Joel Greenblatt is like setting the Old Testament against Dr Seuss. But the material is top class and well worth the effort.

Phil Fisher wasn’t really a value investor in the purest sense. Instead, he used a ‘rifle shot’ approach, meticulously researching a few promising companies and concentrating his portfolio in those stocks. But Fisher’s impact and performance as a growth investor was such that Warren Buffett once claimed that he was ‘85% [Ben] Graham and 15% [Phil] Fisher’.

As the first-ever investment book to make it onto the New York Times bestseller list, Common Stocks and Uncommon Profits is a mine of investing commonsense.

Tip: Scuttlebutt was a verb invented by Fisher that describes a way to gather information useful to any investor. It’s one of the ways that Fisher got an edge. If you can’t manage the entire book, read Chapter Two. Or try our Masterclass special report, The growth investment philosophy of Philip A Fisher.

8. The Essays of Warren Buffett
By Lawrence Cunningham

There are numerous books on the subject of Warren Buffett’s shareholder letters but this is one of the best, an ordered collection of 50 years’ worth of material grouped by topic rather than year. Previous reading lists have recommended working through all Buffett’s letters but that takes an age, and there’s no way to do it other than chronologically. This book makes the best of Buffett’s wisdom accessible.

Covering subjects from investing fundamentals to management, the global financial crisis, risk management, women in business and philanthropy, this is gold-studded advice from one of the world’s best investors. And unlike most in the finance industry, Buffett can write. His homespun style glides off the page like treacle from a spoon.

Tip: If you want to check out all of Buffett’s letters to shareholders, plus his partnership letters back to 1965 and a summary of his investment philosophy, find them at Value Walk or Berkshire Hathaway.

9. The Most Important Thing
By Howard Marks

Investors operate in a grey area between risk and return. Marks explains why subtle differences in approach and style can produce remarkably different returns.

Whether you invest aggressively or conservatively, Marks describes what you need to get right to beat the market, including making sure your approach is compatible with your mentality, a subject we’ll examine in depth in the next section. The subject of risk isn’t as exciting as returns, but Marks’ decades of success in financial markets explains why it’s so important.

Investors can’t expect to do the same things as everyone else and get better results. That insight seems fairly obvious but, to those new to the market especially, it’s vitally important to understand. Marks does a first-class job of explaining this under-addressed subject.

Tip: There are a couple of famous people called Howard Marks. One is a value investor as described above, the other a Welsh author and former international drug smuggler that looks quite a lot like Keith Richards. Try not to confuse them – it could get you into all sorts of trouble.
Module 3:
Investing – It’s all in the mind

Experienced investors will tell you that their greatest mistakes and victories had their genesis in the brain, not the balance sheet. These books will teach you how to master investing psychology.

Understanding the theory of value investing is all very well; putting it into practice is another issue altogether. Our brains are wired to make us feel deeply uncomfortable when we depart from the herd, whether psychologically or physically. Humans search for safety in numbers but you can’t produce above-average returns from doing what everyone else does. To succeed in investing, you have to depart from the herd. The section is all about learning how to do that sensibly, along with addressing the panoply of psychological biases that orientate our brains towards financial failure.

You can learn as much as you like about the process of investing, but without the courage and psychological wherewithal to buy cheaply when others are selling, to avoid bubbles when the foolish are making easy money, and to manage the dominant emotions of fear and greed, it doesn’t amount to much. So let’s prepare the human brain for the process of investing.

10. Mindset
By Carol Dweck

Analyst Gaurav Sodhi says that Mindset, whilst not about investing per se, is ‘arguably the most impactful book I’ve read.’ Written by a professor of psychology at Stanford in a style that’s accessible and engaging, the book is a collection of Dweck’s research and experiments.

She found that people can generally be split into two groups: those with a ‘fixed mindset’, where one believes each individual is born with a particular ability and intelligence, and a ‘growth mindset’, where these qualities are a reflection of effort and practice. That’s a simple choice between those that are closed to learning and those that are open to it, although the separation isn’t quite so clear cut.

Using case studies from Michael Jordan and Lee Iacocca to John McEnroe, Dweck’s practical lessons on self-improvement and turning adversity into opportunity are vital for any investor that wants to learn from one of investing’s inevitabilities – failure.

Tip: Dweck hit the headlines in 2007 when she challenged the idea that constantly praising children wasn’t good for them, which was a huge shock to anyone born after 1990. How not to talk to your kids explains the argument in detail. Here are the four steps to re-orientate your mindset to growth and here’s the cheat sheet, via Brain Pickings.
11. Predictably Irrational
By Dan Ariely

Why do investors tend to underperform the managed funds in which they invest? Why do we say to ourselves, ‘I’ll sell when the stock gets back to the price I paid for it?’ Why does the stock market endlessly seem to ‘bubble and crash’?

*Predictably Irrational* offers answers to those questions, plus a whole lot more. Drawing on behavioural economics, Ariely’s experiments show us why cautious people make poor decisions about sex when aroused, why patients get greater relief from a more expensive drug over a cheaper counterpart and why honest people may steal office supplies or communal food, but not money.

Economics is based on the assumption of human rationality. Ariely makes the point, in many different ways, that humans are fundamentally irrational. ‘What I do lies between psychology and economics. I ask questions that economists would ask, but instead of assuming straightaway that people behave rationally, I just observe how people behave.’

As investing is as much about psychology as it is company analysis, this book will help you improve how you think about investing and help avert the money traps your brain sets for you. For a different take on Ariely’s subject matter, Charlie Munger, Warren Buffett’s business partner, gave a lecture called *The psychology of human misjudgment* which you can find [here](#).

**Tip:** Want to know if you’re in control of your own decisions? Check out Dan Ariely’s TED talk. If you’re after something more meaty, *Dishonesty in Everyday Life and its Policy Implications*, one of Ariely’s (with colleague Nina Mazar) academic papers, is fascinating. And this interview is a pretty good cheat sheet for the book.

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12. How Markets Fail: The Logic of Economic Calamities
By John Cassidy

Whereas Ariely looks toward the individual for the irrational, Cassidy shows how the agglomeration of individual irrationality can produce something like the Global Financial Crisis.

The difference between Cassidy’s account and many others is the grace and style of his prose, and the setting of context. As the Roosevelt Institute explains, ‘Cassidy’s book is sort of like Economics 101 written as a *New Yorker* article.’ Free from complicated graphs and bewitching terms, Cassidy takes the reader calmly through a story about ‘how markets work and fail using key personalities and illustrative examples.’

If you really want to do well in the sharemarket, you need to be able to spot market failure and have the courage to act when you find it. Cassidy covers the ground in an highly illuminating manner.

**Tip:** The New York Times review of Cassidy’s book is [here](#) and the far shorter Business Week version is [here](#). For a taste of Cassidy’s writing style, Google has this [detailed excerpt](#).

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**TAKE-A-BREAK RECOMMENDATION**

*The Big Short: Inside the Doomsday Machine*
By Michael Lewis

Anything by Michael Lewis is worth reading, from *Liar’s Poker*, his first hand account of being a young trader at Salomon Brothers, to *Flash Boys: A Wall Street Revolt*, a tale on how high frequency traders rip everyone off, one small sliver of a cent at a time.

But our pick from the Lewis collection is this one, on the oddballs, misfits and pure-bred eccentrics that had the wit to spot the US housing bubble and the courage to make a killing out of it. If we had to pick one easy-read book on the financial crisis, laden with lessons for value investors, which all the characters in the book are, in one form or another, this would be it. You won’t be able to put it down.
Module 4: 
Next steps to investing success

Now you’ve got the basics under your belt, this next selection, including a few investing classics, takes your skills to the next level.

Congratulations on making it this far. Believe it or not, you’ve now acquired the insights and skills to become a successful value investor [The habits, of course, are up to you – Ed].

This next section is all about bedding down what you’ve learned and taking things to the next level. Unlike the other sections, feel free to read these as and when you see fit.

13. The Intelligent Investor
By Benjamin Graham (chapters 8 & 20)

Now you’ve got the basics down, this one really is worth tackling, especially when you know that Warren Buffett first read it at the age of 19. If you can’t hack the whole thing, just read chapters eight and 20. They’re widely believed to be the two most important pieces on value investing ever written and are not to be missed.

Chapter 8 uses Graham’s Mr. Market analogy to explain the vagaries of stock prices and how they are a source of advantage for well researched investors, yet the source of distress and poor decisions for most people. Chapter 20 is what underpins all successful investing – building in a margin of safety to allow for the inevitable errors you will make in valuing a business.

Tip: Here’s the cheat sheet for the book, with some interesting background and takeaways. Or better yet, check out our Masterclass on the man himself, Investing lessons from Ben Graham, father of value investing.

14. Value
By our very own James Carlisle

In our book Value: The Intelligent Investor’s Guide to Finding Hidden Gems on the Sharemarket, James Carlisle examines value investing from the ground up, starting by explaining what value is and why shares are a good place to find it.

James then goes on to explain – in simple terms – the inner workings of company accounts, with the help of Carlo’s Candles, a 15th Century Italian candlemaker, before returning to the 21st Century to examine what makes for a ‘high-quality’ business and why it matters. Finally, he shows you how to combine all these strands with a range of simple valuation tools to find the ‘hidden gems’ referred to in the book’s title.

Tip: Check out Peter Miller’s full review here, and call 1800 620 414 to buy a copy.

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The book’s unwavering rationality helped me get through the tech boom of the late 1990s unscathed and is an essential stepping stone to moving beyond the basic concepts of value investing and into the practicalities. 

Greg Hoffman 
Former research director, Intelligent Investor Share Advisor

The discussion of Australian companies makes the material in the book more relevant and accessible to the Australian reader.

Peter Miller, AIA member
15. The Snowball  The Making of an American Capitalist
By Alice Schroeder  By Roger Lowenstein

The Snowball is now the definitive (but very long) biography of Warren Buffett. Written with his permission and contributions from himself and his family, friends and business colleagues, Schroeder paints a fascinating picture of Buffett’s world.

Whilst you may not emulate Buffett’s performance, understanding what made the world’s greatest investor will help you recognise your own strengths and weaknesses. You’ll be a better investor for reading it, as you will Buffett: The Making of an American Capitalist by Roger Lowenstein.

This highly readable and far shorter biography cleverly weaves in a lot of technical investing knowledge and wisdom whilst describing the origins of Buffett’s investing life and the development of his expertise. If you had to choose one book on Buffett, try this one to start before attempting Schroeder’s longer but more recent tome.

Tip: Why not start with our Masterclass special report on Buffett, called Warren Buffett: The Sage of Omaha? In the end though, there’s really no way around it – you can’t consider yourself a true value investor without reading at least one of these books. Sorry.

Buffett’s genius was largely a genius of character – of patience, discipline, and rationality.
Roger Lowenstein

16. You Can Be a Stock Market Genius
By Joel Greenblatt

It’s a cheesy name for sure, but don’t let that put you off. To be enjoyed by the more seasoned investor, Greenblatt’s other book covers advanced topics like investing in bankrupt companies, special situations and distressed debt.

And remember The Big Short, which you finished not so long ago? Well, some of the characters in that book claimed to use this one as a how-to guide to profit from the financial crisis. That’s quite the recommendation.

Tip: In this interview with Barron’s Greenblatt explains his magic formula for locking in long term value, whilst this piece in Value Investor Insight covers the recent shift in his investing approach.

17. Value Investing
By James Montier

As well as discussing the academic evidence confirming the success of value investing, Montier’s main conclusion is that psychology is the key to successful investing. With enough study, anyone can learn how to read the financials, learn accounting principles, research regulatory impacts, understand competitive theory, industry dynamics and so on.

But if you let your emotions and mental biases control you, then all that knowledge is for naught. The book also reaffirms what most value investors intuitively understand – that a lot of what is called modern portfolio theory is incorrect.

Tip: Montier explains his seven immutable laws of investing, which is a neat summary of all the common sense rules of value investing. And this interview with Seeking Alpha will give you more background and insight into his approach.

We need to stop pretending that we can divine the future, and instead concentrate on understanding the present, and preparing for the unknown.
James Montier