



Opalesque Exclusive: Templeton offspring and hedge fund manager of value investing fund says maximum pessimism is optimal time to hunt

From [Kirsten Bischoff, New York](#): Lauren C. Templeton and Scott Phillips, both of Lauren Templeton Capital Management (LTCM), take an in-depth look at value investing in their recently published book "Investing the Templeton Way" (McGraw-Hill, 2008). Focusing mainly on the investment strategy's most legendary figure (and Lauren Templeton's uncle) Sir John Templeton, the duo review the methods of the man Money magazine called "arguably the greatest stock picker of the century."

Tennessee based LTCM manages approximately \$150m in assets through the LT Market Neutral Fund, the LT Low Volatility Fund and the Global Maximum Pessimism Fund. LTCM Founder and President Lauren Templeton spoke with Opalesque about her uncle, the value investing strategy, and what some might say are pessimistic times.

Sir John Templeton – Value investing pioneer

Sir John Templeton became a value investing pioneer when he took the strategy a step further, applying it on a global scale. In 1939, as the United States was still in the throes of the Great Depression, Hitler made his way across Europe, and Franklin D. Roosevelt began to consider mobilizing manpower. That year, with the belief that war would cause a surge in demand for industrial goods and benefit the long-suffering US market, Templeton used \$10,000 to purchase \$100 of every stock trading below \$1 (which translates to stocks trading below about \$15 today) on the New York and American stock exchanges and within 4 years quadrupled his investment. Similarly in the 1950s he correctly predicted the future growth of the Japanese markets following World War II and as the battered Japanese economy grew through the 1990's so did the Templeton Fund's investments. On the sell side of the strategy, Templeton was also able to successfully identify the top of the dot-com bubble. By shorting multiple young technology stocks immediately before the days that their shares came out of IPO "lockup" periods he made millions riding prices down as techs dove out of favor at the end of the 1990s.

"The book profiles 10 of Sir John's most famous trades and describes to the reader the background and what was going on in the economy that led him to these investment decisions," Lauren Templeton said. "[The book] is really geared towards novice investors as well as professional investors because it is all a matter of perspective. And Uncle John's perspective is very cool, calm, collected. Look for a bargain no matter what is going on in the market and that will often save you from danger [as it did when] he was already out of Japan when that market was collapsing." Lauren pointed out that during emotional times in the market Sir John's advice was always "Remove your emotions from the investment process."

Maximum pessimism

"To buy when others are despondently selling and sell when others are avidly buying requires the greatest fortitude and pays the greatest potential reward." John Templeton

When asked about how Sir John applies his strategies to emerging markets Lauren pointed out that he did not approach investing with a macro view. "What led Uncle John to make investments into Japan and South Korea was not macro investing. He would make the call to go into South Korea with a lot of money when he saw a large collection of stocks trading at a discount. It would lead him to the conclusion that the market in South Korea was largely undervalued and presented many bargain opportunities. Uncle John is very much a bottoms-up stock picker.

Addressing the current markets, Lauren told us "We're finding bargains in the US right now which is very unusual. In fact, our global fund has about 15% invested in the US which is not the norm...We're being very opportunistic right now with individual positions."

For further information on "Investing the Templeton Way" go to: [Source](#)

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