

THE  
SECRETS  
of  
SIR  
JOHN  
TEMPLETON

AT 86, THE MASTER INVESTOR STILL DISPLAYS THE TRAITS THAT HAVE MADE HIM A STOCK-PICKING LEGEND.

DAPPERLY ATTIRED IN a pale yellow sports jacket, Sir John Templeton is guiding me through his colonial-style house in the Bahamas. Here, in a second-floor study, he points with quiet satisfaction to a portrait of himself at Buckingham Palace on the day the queen of England awarded him a knighthood. He pauses for a moment, contemplating his extraordinary success. "It's like winning a game," he confides. "This year I received my 22nd honorary doctorate, and that did give me some feeling that maybe I was not too foolish."

A short, lean man with courtly manners and a soft Tennessee drawl, Templeton is certainly no fool. Indeed, he's arguably the greatest global stock picker of the century.

*by William Green*

A pioneer of foreign investing, he founded the Templeton Growth Fund in 1954 and proceeded to rack up unsurpassed returns of 15% annually for 38 years. In 1992 he sold his fund company, personally pocketing some \$400 million. The money he manages now belongs solely to him and his charitable foundations (see "How Sir John Invests Today," page 105).

Templeton remains a towering figure, one of the few enduring masters from whom every investor can learn—even though his own focus these days is primarily on spiritual matters. He's made it his mission to promote his ardent and deeply unusual belief that science can teach us "100 times" more than we now know about spirituality. While

PHOTOGRAPH BY BRIAN VELENCHENKO





**THE RICH ARE DIFFERENT** *Templeton, says a friend, "believes it's okay to make money so long as you don't enjoy it."*

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we understand the human body better than our ancestors did, he argues, we've learned little in 2,000 years about God and the soul. Passionate about mankind's need for "rapid spiritual progress," he funds scientific research—at institutions such as Harvard University—into mysteries like the healing power of prayer and forgiveness. "Does the prayer work only if the person who is sick does the praying?" he asks. "Or can it be done by somebody else? Those things have not been scientifically studied." Templeton says he gives away \$30 million a year to fund his spiritual programs, including a \$1 million prize for "Progress in Religion." His goal is to "help hundreds of millions, maybe billions, of people to have spiritual wealth. It's the most fundamental need that humanity ever had."

While this may seem an odd departure for a celebrated stock picker, Templeton has always been startlingly different—and his idiosyncrasies are precisely what made him such a successful investor. He always went his own way, hunting for busted stocks at what he called the "point of maximum pessimism"—when no one else would touch them. As a spiritual missionary, he's equally unconventional and convinced of his unorthodox wisdom. And perhaps that's the point. Great investors, like great artists, are not like the rest of us. By studying Templeton, in all his strange and brilliant glory, maybe we can gain insight into just what it is spectacular investors possess that the rest of us don't.

### *The Willingness to Be Lonely*

**A**T 86, TEMPLETON remains dauntingly sharp and vigorous. Every morning he stands in the ocean up to his neck and propels himself rapidly for 45 minutes against the resistance of the water. Relentlessly driven, he derides the very notion of retirement, which he says produces legions of "idle people, useless people." His house—guarded by an automated recording of a viciously barking dog—overlooks a golf course, but he refuses to be seduced by such hedonistic temptations: "I've never found time for pleasure. My neighbors go out golfing and yachting, but my own viewpoint is that it's far more important to be useful."

Templeton rarely thinks like the rest of us. And that has been one of his greatest strengths. In 1939, he called his broker with a characteristically eccentric order. He wanted to invest \$100 in each of 104 U.S. stocks, all trading at less than \$1 a share; 37 were in bankruptcy, but he bought them anyway. Hitler had just invaded France. Templeton, then only 27, thought a world war would electrify America's shattered economy, saving even the feeblest companies. He was so sure of himself that he borrowed \$10,000 (\$117,000 in today's dollars) to make the investment. "Five years later, when I liquidated those holdings, I had a profit on 100 out of 104 of them," he recalls. "I made roughly five times my money."

It was a remarkably plucky gamble. The only reason he could pull it off, he says, was that even then, "I had enough self-confidence to think that most of the people called experts could make big mistakes." He credits his discipline-free childhood in Winchester, Tenn.: "I don't remember either my mother or my father ever telling me, 'Do this' or 'Don't do

that.' They thought it would help me to become self-reliant and self-confident if I had to do everything myself."

Whatever its origin, Templeton's profound belief in his own judgment is a quality he seems to share with other famed investors. Michael Lipper of Lipper Analytical Services says that Templeton, Warren Buffett and George Soros all display "the willingness to be lonely, the willingness to take a position that others don't think is too bright. They have an inner conviction that a lot of people do not have." Of course, there's no better example of Templeton's willingness to be lonely than his devotion to unusual spiritual ideas. "I'm one of the few people in the world who don't hesitate to say that spiritual information will multiply one hundredfold," he declares. "Hardly anybody in the world will dare say that."

### *Always Fly Coach*

**T**EMPLETON'S ATTITUDE toward money has always been distinctive. Gary Moore, a friend who advises religious investors, quips: "John is what we call a Calvinist. He believes it's okay to make money so long as you don't enjoy it. He's still pretty tight." Templeton calls tithing the "single best investment" anyone can make and claims to give away \$10 for each dollar he spends on himself. Obsessively thrifty, he boasts that he still flies coach: "I've got a lot better ways to spend my money than on a bigger seat." As a fund manager, he was famous among his employees for writing notes on scraps of used paper, which he'd staple together into notepads: "I never thought it was wise to waste anything. After my education I had absolutely no money, and neither did my bride. So we deliberately saved 50¢ out of every dollar."

Templeton employs the same philosophy when he invests, says Mark Mobius, manager of the Templeton Developing Markets fund. It was Templeton's miserly eye for a bargain that led him into foreign markets other Americans spurned. In the 1950s, when Japan's economy was reeling and many Japanese stocks were trading at a P/E of three, he figured it was the world's cheapest market. He snapped up unwanted gems like Hitachi and Fuji Film, betting 60% of his fund's assets in a country ridiculed for producing cheap knockoffs. By 1980, exuberant investors were piling into Japanese stocks, and Templeton, looking for cheaper buys, had almost entirely cashed out. He'd quintupled his money.

Underlying Templeton's compulsive cheapness is his belief that we don't possess our own money; we're merely "temporary stewards" of God's wealth and must shepherd it with appropriate care.

### *"Be Here at 4:02"*

**T**EMPLETON HAS similarly quirky notions about time. "John won't engage in small talk," says John Galbraith, who marketed Templeton's funds. "The minute you're through with your common business, he's onto something else."

He's beyond punctual. His friend Gary Moore recalls: "The first time I met John, he said, 'Be here at 4:02. I've got another appointment at 4:13.'" His determination to use every



## HOW SIR JOHN INVESTS TODAY

Should regular investors buy individual stocks? Only, declares Sir John Templeton, if they possess "more information, more experience and more wisdom than professionals." Otherwise, he says, they'd do better to buy mutual funds. Which is precisely what he does now that he no longer wants to spend time doing exhaustive analysis. He doesn't worry about funds getting too big or about paying hefty loads but focuses simply on picking the "wisest" managers: "By looking at long-term results, you get a reasonable idea who has more information and more diligence. Even then, you're often wrong."

One pick that's soured of late: the **Brandywine Fund**. Its manager, Foster Friess, made a disastrous bet a year ago that the U.S. market would crash, but Templeton is sticking with him. "Most investors are too impatient," he says. "People

who change from one fund to another as often as once a year are basing it more on emotion than investigation." He's also reassured by the fact that Friess is "very spiritual," since "to be ethical and spiritual is a very important part of wisdom."

Ever contrarian, Templeton has been underweighted in the U.S. since the Dow hit about 6500 and has been buying heavily in Asia. He plunged into South Korea in December 1997,

stashing some \$8 million in the **Matthews Korea Fund**. "Almost everyone thought everything was hopeless," he says. "I thought it could hardly get any worse from a psychological and public relations standpoint." Since August, he's invested a similar sum in China (he owns **Templeton Dragon**): "Prices are still quite cheap and the stability of the government is better than in Eastern Europe." He's also betting on Hong Kong ("low prices

and a relatively safe government") and Singapore. (Other funds he owns include **Templeton Growth**, **Templeton Foreign**, **Templeton Emerging Markets** and **Janus Overseas**.)

He hasn't invested in Russia but has a "small amount" in former Soviet countries like Poland, Slovakia, Kazakhstan and Estonia. As always, he's headed where the crowd fears to tread.

**POINTS OF MAXIMUM PESSIMISM:** *A pioneer of foreign investing, Templeton has been hunting for bargains in these countries.*



minute productively gave him a major edge in researching stocks. Most investors, he says, "don't really understand what it is they're buying. You have to be very industrious and very persevering so that your information will be better than that of other people." He's now equally relentless in analyzing spiritual matters. "What we need," he insists, "is more facts, much more scientific research." Nor does he plan to slow down: "You're only on earth a small time. Don't waste a minute of it."

### *The Secret Weapon*

**W**HEN THE U.S. MARKET crashed in 1987, Templeton loaded up on stocks that had been slaughtered. "He doesn't get carried away by the emotions of Wall Street," says Jay Bradshaw, who ran Templeton's trading desk. "He said, 'Well, if we paid that much for Ford Motor before and it was good value then, it's even better value now.'" This habit of diving in when stocks are getting crushed requires "tremendous willpower and strength of personality," says Mobius. "Everybody else is running out of the burning building."

Templeton has always been just as immune to euphoria. In 1968, when the U.S. market was surging to breathtaking heights, he was massively underweighted in U.S. stocks. The bubble burst, and many stocks fell 70% between 1969 and 1974. In those terrifying years, his fund—largely invested in Japan and Canada—boasted a positive return of 50%.

Templeton finished top of his class at Yale and was a Rhodes scholar at Oxford. But a superb intellect is worth little in investing if you have the wrong temperament. "Most investors get led astray by emotions," he says. "They get excessively careless and optimistic when they have big profits. They get too cautious and pessimistic when they have big losses.... I've always worked on having more self-control."

His secret weapon? His unerring ability to stay calm as an investor is bolstered by his religious faith, which seems to free him from fears and doubts that paralyze others. Convinced he's a beloved child of God and that "spiritual wealth is vastly more important than monetary wealth," he's never been rattled by the market's plunges. Even when he took a beating, says Templeton, "I never was depressed or despairing." ES