

Kimura Dreamvisor Newsletter summary 24th of august 2006

Summer memories and lessons

32 years before...

I started equity investment 32 years before during summer holidays. At that time my brother and I made some money betting on professional handball with 100 to 200 Yen, we then decided to try stock market investment. It was 1974 summer, quite a difficult year for the market. However as both of us decided to invest in cheap stocks worth less than 50 yen, those stocks went under TSE special surveillance and finally were delisted leading to complete loss. As we thought to fight it again to settle the loss my father suggested he was willing to challenge it with his own money.

It was the University entrance examination time and I completely disregarded this story, to think it again I was taking it easy. At that time suburban Tokyo high school students who failed to pass the high school final exams to enter Tokyo University (Todai) would end up in the 'cram' schools, I discovered myself 'cram' schools after I failed to pass the exams. Another classroom mate who passed with success Todai grade 3 with weaker results than me asked 'what about you?' To what I responded 'I am in 'cram'. Maybe it was the fact I was obsessed by equities but reason I did not pass the exam was my lack of fundamental knowledge and preparation.

But let's go back to the original story. Summer holidays were close to ending, I first went to a local bookshop and bought two stock investment introductory books then I started to carefully read the Nikkei. However one of the books was from Okabe Hiroyuki and not aimed at beginners, in the end I felt deeply impressed with his unusual style. This person is now deceased and with the event of time I believe this book content became somewhat loose.

Just one month after I started reading the Nikkei stock market was going one way down. From the peak more than half of all stocks were divided by two in value. My father who wanted to put his skills to the test opened a securities account thanks to an old friend who was working in a securities house, one week after the Nikkei touched a low of 3555 Yen and he started to buy.

The timing was, by luck, near perfect as the market was to enter a strong bull cycle after bottoming out. And indeed market then started to rise one way up. However just

one month before starting to invest the market had felt more than 20 %, should we have started to invest a bit earlier the result would have been very different indeed. Anyway if I arrived to today's achievement this is due to the opportunity given by my father's trying a hand in investment and myself giving full play to equities investment and companies' management study. I was lucky to come to grips with such things with the determination of my young age.

Do not hesitate to spend a great deal of time finding the right methodology.

Looking back over the past I started to invest 15 years ago since then the Nikkei 225 has been multiplied tenfold. However if I am questioned on my professional life achievement what I am most proud of is not to have somewhat bolstered my initial capital. I held stocks that were not in line with the market flow, sometime had market timing wrong. To think it twice I did not waste time as I had to sell swiftly unsatisfactory stocks (earnings trend, bad looking chart, unforeseen bad news etc...) to buy others.

Furthermore since I became a chartered stock analyst in 1986 I lost my ability to trade stocks freely. Specially when I was employed in the securities industry and had to make a detailed report of each stock , was barred from holding the stock for 6 month time or try my hand at stocks in which the company had business, it was then meaningless to speak of my work achievements. Originally my objective was to raise assets by managing my own portfolio, to reach that target I thought it was more efficient to first increase my know-how by analyzing companies before embarking on fund management itself. The ironical side of it is that as soon as I entered the market bubble set on fire and stocks more than doubled. During the peak period of the bubble as an investor I looked with a finger in one's mouth the stock market.

Even when it was the bubble height my compensation as an alyst was tax included no more than monthly 4 million Yen! At that time land prices at TSE building in front of Kayabacho station reached the staggering 100 million Yen per Tsubo (3,3 square meters)! That was more than 20 times my then annual compensation package. I thought at that time that is was totally ridiculous that I would need 20 years of my salary to purchase one Tsubo of property. Both salary and land prices looked totally abnormal. Shortly after bubble burst and a few years after I transferred to foreign securities house land prices bubble burst and ended with the possibility to buy 1 tsubo with only 1-2 years salary. That left me with a bitter taste.

Rather than saying that I do not have good remembrance of the bubble time I can't

either say that I suffered overinvestment being carried away. Looking at the market in a cold blooded logical way I succeeded in coming to grips searching an investment methodology to successfully invest over the long term.

Despite the fact I did not enjoyed the benefit of a bull market (instead 13 years bear market) to grow a large capital base I am happy to be in a position whereas I can freely invest as I wish.

I now fully realize that I achieved my aim far quicker by spending enough time researching the right information, taking in account better informed people's opinions including the failure at University entrance exams.(the fact it's been a long way round is neither bad). Those who aim at high return investment should always keep this fact engraved in their mind.