The Templeton Touch
The Templeton Touch

William Proctor

with a Special Section by
Scott Phillips
To Pam, my lifelong collaborator, spiritual advisor, and wife —William Proctor

To my three girls
—Scott Phillips
Contents

Preface to the 2012 Edition  ix
Acknowledgments  xix

Part 1: The Templeton Touch

1. What Is the Templeton Touch?  3
2. The Seeds of Self-Reliance  17
3. The Reasonable Risk-Taker  37
4. Total Commitment: The Key Requirement for a Great Investor  59
5. The Bargain-Hunting Principle  75
6. The Broad Business Principles  91
7. The Personal Side of the Templeton Touch  103
8. The Intuitive Factors in Successful Investing  131
9. The Time-Tested Maxims of the Templeton Touch  153
# The Templeton Touch

**Part 2: Interviews with Today’s Leading Investors on How John Templeton Influenced Them**

<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>159</td>
</tr>
<tr>
<td>10. Gary Bergstrom</td>
<td>165</td>
</tr>
<tr>
<td>11. Jeff Everett</td>
<td>177</td>
</tr>
<tr>
<td>12. Marty Flanagan</td>
<td>187</td>
</tr>
<tr>
<td>13. Steve Forbes</td>
<td>199</td>
</tr>
<tr>
<td>14. John Galbraith</td>
<td>213</td>
</tr>
<tr>
<td>15. Mason Hawkins</td>
<td>225</td>
</tr>
<tr>
<td>16. Charles Johnson</td>
<td>239</td>
</tr>
<tr>
<td>17. Rory Knight</td>
<td>247</td>
</tr>
<tr>
<td>18. Paul Matthews</td>
<td>261</td>
</tr>
<tr>
<td>19. Mohnish Pabrai</td>
<td>275</td>
</tr>
<tr>
<td>20. Michael Price</td>
<td>289</td>
</tr>
<tr>
<td>21. Don Reed</td>
<td>301</td>
</tr>
<tr>
<td>22. Jim Rogers</td>
<td>313</td>
</tr>
<tr>
<td>23. Julian Roberston</td>
<td>325</td>
</tr>
<tr>
<td>24. John Schott</td>
<td>343</td>
</tr>
<tr>
<td>25. Jane Siebels</td>
<td>357</td>
</tr>
<tr>
<td>26. Guy Spier</td>
<td>369</td>
</tr>
<tr>
<td>27. Lauren Templeton</td>
<td>381</td>
</tr>
<tr>
<td>28. Prem Watsa</td>
<td>395</td>
</tr>
</tbody>
</table>

**Index** 415
Thirty years ago in the early 1980s, I was deeply involved in researching and writing this authorized biography of Sir John Marks Templeton, who is still widely regarded as one of the greatest value investors and financial prognosticators of all time. Today, in 2012, the centennial year of his birth, after reflecting on our conversations and on my contemporaneous journal entries, I find myself even more impressed by the power and durability of his insights into the wise management of wealth—and life.

Of course, the economy and geopolitical landscape are quite different today than they were when Sir John and I conducted our discussions in the early eighties. In December 1980, about one month after our first meeting, the prime rate peaked at 21.5 percent. In contrast, as I write today, that rate has dipped to 3.25 percent. The Dow Jones Industrial Average stayed just below 1,000 as we pursued our conversations; today, the Dow is many times higher, having hit an all-time high above 14,000 in the fall of 2007. Thoughts of a dot-com boom and bust or a global governmental debt crisis had not registered in the minds of the top economic policymakers.

On the international scene, things have changed at least as much. The Cold War still prevailed in the early eighties; the Soviet Union
lurked overseas as the “evil empire,” according to President Ronald Reagan in a 1983 speech; and the tragedy of 9/11 and the specter of world terrorism had not yet entered our thinking. The idea of broad-based global investing—though pioneered by Sir John with his highly profitable investments in Japan—had not reached full stride.

On a personal note, our situations were also quite different. Thirty years ago I was just turning forty; Sir John was turning seventy. In fact, he was not a “Sir” at the time—Queen Elizabeth II knighted him in 1987. Today, regrettably, he is no longer with us, having passed away at the age of ninety-five on July 8, 2008. As for me, I’m about the same age today as Sir John was when we engaged in those stimulating, face-to-face discussions at his man-sion on Lyford Cay in Nassau, the Bahamas, and during our flights to various business meetings and philanthropic gatherings.

But even though Sir John is gone and the world has changed dramatically, the principles he lived by—the qualities that made him a wise man and billionaire and swept him into the pantheon of the greatest investors—remain applicable today. Though treated in more detail in the pages that follow, the following maxims that he passed on to me still remain at the front of my consciousness, as though I were hearing them from him for the first time today.

MAKE MAXIMUM USE OF YOUR TIME.

Sir John conveyed this message to me in a number of ways. For example, we had arranged to board a plane from New York City to Nassau on one occasion, and he arrived at the terminal before me. As I walked over to join him, I noted that he was studying a sheaf of papers. Curious, I said, “You always seem to keep busy.”

He replied, “I always bring reading material on stocks or theology in case the person I’m meeting is late or a meeting is delayed.”
Then he leaned over and said quietly, “You see that man sitting over there, staring into space?”

I told him I did, and he said, “He’s wasting time.”

“But don’t you think it’s okay just to sit and relax and think of nothing after a hard day?”

“That’s fine if you’re meditating or praying or pursuing some other constructive mental activity. But I don’t believe in wasting time. At your age, you may feel you can waste some time. But at my age, I don’t have time to waste.”

Now that I am his age, I can understand a little better the message he was trying to convey.

**FOLLOW THE DOCTRINE OF THE EXTRA OUNCE.**

At first blush, this maxim may seem just a corollary of the previous one, but in actuality the “extra ounce” takes hard work to the next level. Sir John believed that most people will do rather well if they just put in a reasonable amount of time at the tasks assigned to them. But the elite few will do even better—even brilliantly—if they first work hard but *then* contribute only an “extra ounce” of effort.

In passing on this advice to younger people, I often cite the principle this way: First, study or work as hard as you can. Then, back off and examine your work. Finally, have another go at the project, even if you spend only a relatively limited amount of time or effort. That “extra ounce” can pay dividends that go far beyond the energy expended.

**CONCENTRATE ON VALUE.**

Sir John was known as a “value investor,” or one who examined prospective investments closely to see if their financial health was
solid and their selling price was considerably lower than what they were actually worth. He was the consummate bargain-hunter.

His focus on securing a good deal and paying no more than what a product or service was worth carried over to his private life. When I was working with him, he always flew coach class even though he was a billionaire. First class wasn’t worth the price in his estimation. Also, from the beginning of his career, he avoided consumer debt. He even chose to buy his very first house for cash, believing that a mortgage would lock him into interest payments that might be used more effectively in his investments.

But in this commitment to no debt, we must remember that the principle applied only to his personal money management. In business, as we’ll see shortly, he was ready to borrow in order to finance the purchase of investments that he regarded as superior values at bargain prices.

**STRIVE FOR SERENITY.**

Sir John Templeton was one of the most even-tempered, serene top executives I’ve ever met. He believed in disciplined “thought control,” which, among other things, involved focusing on happy, productive thoughts and avoiding negative emotions. In that serene state of mind, he found that he could arrive at the wisest judgments and render the best decisions.

This quality carried over to the most personal levels. On one trip I made to Nassau, he lent me his sports car for my stay. After returning from a spin around the island one evening, I parked the car under a streetlight and headed for my hotel. The next morning, when I turned on the ignition, I was greeted with an unpleasant surprise: the battery was dead. Because of the light over the parking space, I had failed to notice that I had left the car lights on.

With some trepidation, I called Sir John, thinking he would probably be irritated because other arrangements would have to
be made to pick me up. But he just said, “That’s no problem. I’ll be right over,” and he greeted me with his usual smile as he pulled up to the hotel.

On the other hand, he could be sternly decisive and unyielding when he felt his good judgment was being challenged. On an occasion when he and I were preparing to work on the book, one of his assistants started to carry out an order in a way that was inconsistent with what Sir John had indicated.

He stopped the man abruptly and commanded, “I want to do it my way!”

That settled the matter—and reminded me of the style of other chief executives and highly successful entrepreneurs I’ve worked with over the years. A velvet touch may characterize most encounters and conversations. But when the executive feels strongly about a viewpoint or position, an iron hand may emerge from beneath the velvet.

Yet the prevailing demeanor that I recall for Sir John Templeton was one of equanimity. Furthermore, in ways I didn’t realize at the time, that trait may have influenced my own approach to the stresses and strains of writing *The Templeton Touch*. For example, I was having trouble tracking down Mother Teresa of Calcutta for an interview for the second part of the original version of this book. As the first winner of the Templeton Prize, she seemed to me to be an essential part of that section. So I became rather anxious when her representatives canceled interviews first in New York City and then in Liverpool, England.

When I finally nailed down an interview, the place was Ballycastle on the northern coast of Northern Ireland, but the time was indeterminate. Yet with unusual serenity for me, I flew from New York City to London to Belfast, where I boarded a train for Ballycastle. After a couple of last-minute changes, I conducted the interview early one morning in a chilly convent. According to my journal entries, I was relaxed and cheerful during the entire journey. I’ve
always assumed that some of Sir John’s unflappability had rubbed off on me for that occasion.

BE OPEN TO IDEAS THAT RUN COUNTER TO POPULAR WISDOM.

Sir John provided a paradigm for thinking and acting counterintuitively. In many respects, he was the ultimate contrarian, both in investing philosophy and in life. Early on, for instance, he eschewed traditional methods of “working your way through college.” Instead, he covered a significant portion of his college costs at Yale with his poker winnings.

In 1939, soon after he launched his investing career, he shrugged off warnings from his boss, borrowed $10,000, and bought shares in 104 companies that were selling for less than a dollar a share. Several were even in bankruptcy. By the time he sold all the stocks, he had increased the value of his original holdings to $40,000.

Still later, despite cautionary advice from seasoned Wall Street types, he moved from New York to the Bahamas and, as he had expected, soon improved his investment performance. He found it was much easier to make independent judgments and flourish as a contrarian if he was living and thinking far from the influence of Wall Street’s herd mentality.

GIVE BACK TO OTHERS.

Sir John did not believe that working hard and putting out that “extra ounce” of effort should be limited to paid, secular work. On the contrary, he was then at the threshold of seventy years of age and still worked sixty hours a week, but he devoted half, or thirty, of those hours to philanthropic work. Specifically, in that period he was spending a great deal of time planning and promot-
ing his Templeton Prize for Progress in Religion (now called just the “Templeton Prize”).

Much later, it dawned on me that he probably wanted his own commitment to give 50 percent of his working time to charitable ventures to be reflected in the book I was writing. Because we had agreed that the book would be an “authorized” biography, he had the right to control the factual content, though not the style or expression, and he exercised that right by insisting that only the first half be devoted to his story and investment philosophy. The second half had to focus on the first ten prizewinners.

Initially concerned that we might end up with a disjointed book that lacked a central focus, I suggested that it might be better to do two books, one on him and the other on the prizewinners. But he would have none of that. He felt that his own story would help increase interest in the prize and prizewinners—and that was his primary objective.

Then I suggested, “Well, I guess we could include the prizewinners in a lengthy appendix.”

But he didn’t like that idea either. He thought that putting the information about the prize into an appendix might downgrade the importance of that material. Instead, he wanted the book to be balanced equally, just as his life was balanced—half focused on his professional life and the other half on his main philanthropic interest.

In retrospect, I see this division was the only way the original book could have been organized, given who Sir John was and how he fashioned his life. Also, I discovered a new world of spiritual exploration and adventure as I roamed the world interviewing most of the first ten winners. They included Mother Teresa of Calcutta; evangelist Billy Graham; Brother Roger, founder of the interdenominational Taizé community in southern France; Cardinal Suenens, pioneer of the Roman Catholic Charismatic Renewal movement; Thomas F. Torrance, a Christian theologian
at the forefront of efforts to meld biblical theology and insights from theoretical physics; Dame Cicely Saunders, founder of the modern hospice movement; and Chiara Lubich, founder of the international Roman Catholic Focolare Movement.

In addition, I interviewed the scientist-theologian Ralph Wendell Burhoe; researched the writings and life of Nikkyo Niwano, founder of the broad-based Japanese Buddhist movement, Rissho Kosei-Kai; and spent hours at Oxford University’s Bodleian Library poring over the papers of the late Sarvepalli Radhakrishnan, the Hindu philosopher and second president of India.

Although these profiles are not featured in this 2012 edition, information about these exemplars and other Templeton Prize winners are available as an e-book published by Inkslingers Press.

As it happened, these prizewinners and their wide-ranging experiences and beliefs fit neatly into Sir John’s global worldview and his belief that progress was possible in all areas of life, including the spiritual.

**BELIEVE IN PROGRESS.**

While it may be controversial to suggest, as Sir John did, that spiritual progress is possible or can be measured in some way, a general belief in progress is a fundamental component of historic American assumptions about life and the future. In this regard, he was a quintessential American.

Furthermore, a positive belief or expectation about the future was central to Sir John Templeton’s investment philosophy. His sunny outlook was the antithesis of the doomsayer views that prevailed in some quarters in the late 1970s and 1980s and that continue in some form to the present day. He believed that if you searched in a free economy and found a valuable but underpriced investment—a “bargain,” as he said—that investment was likely to increase significantly in value over time.
Furthermore, he believed, an overall value increase would occur over time throughout the entire economy, including the markets. A quick look at the various market indices, from the time we had our discussions in the early 1980s until the present, shows that at least for those decades, he was absolutely right. Despite the periodic ups and downs and international crises we have faced, the direction of the markets has been decidedly on the rise. And anyone who failed to have money in them during that period probably lost the opportunity to enjoy significant financial gains.

In many respects Sir John’s own life reinforced this optimistic mindset: He had risen from modest circumstances in small-town Tennessee to the top of his class at Yale and a Rhodes scholarship. Then he went on to become one of the most astute and successful investors in history and a renowned philanthropist.

Yet his sanguine nature did not go unchallenged: he lost his first wife in a tragic motorbike accident in Bermuda. As a result, he had the responsibility of raising their three young children for seven years as a single parent before he remarried. But he never lost his conviction that things would get better in the end. That conviction kept him going through hard times and served as the foundation that made him one of the world’s richest and most successful individuals.

I have highlighted these maxims primarily because they have each guided me in some way since I worked with Sir John so long ago. As you read, you may focus on these or you may find others. But as you proceed, remember this: the words you read were also read and approved by Sir John himself. I may have written them, but they originated in taped interviews with the man himself, and he edited the final text and accepted the ideas as his own. That’s the nature of an “authorized” biography.

In fact, I raised the question at the outset of our project that he might want to tell his story in the first person. With that approach,
the book would have been “by” him, and I would have been rec-
ognized as his coauthor or collaborator. But he immediately said
no. He wanted me to have the freedom to express my opinions and
observations as the narrative unfolded. Also, by giving me owner-
ship, he felt we would be more likely to end up with a more objec-
tive and authentic account. To keep the immediacy and authenticity
of my original collaboration with Sir John, chapters 1 through 9
remain in the present tense as in the original publication.

But regardless of my contributions, the views expressed here are
unquestionably those of Sir John Marks Templeton. I know that
for a fact because, in my mind’s eye, I can still see his handwritten
notes and editing marks on my drafts—and sometimes I even fancy
I can hear him serenely but pointedly whispering his corrections
in my ear.

William Proctor
Vero Beach, Florida
Years ago, I expressed my gratitude to a number of people who contributed to the original edition of *The Templeton Touch*, published in 1983 by Doubleday. Now I would like to express my equally heartfelt thanks to these individuals at the Templeton Press who have worked so hard and efficiently to produce this 2012 edition: Susan Arellano, Natalie Silver, Matt Smiley, Sharon Kelly, and Trish Vergilio. They have made a major contribution in helping us provide a contemporary perspective on the life and investment principles of perhaps the greatest investor of all time, Sir John Templeton.

William Proctor
Vero Beach, Florida
2012

The writing for the special section to the book required a great deal of coordination and participation from a large number of individuals. Given the elaborate and sometime tedious nature of scheduling and conducting a large number of interviews, many of which were conducted onsite, in a condensed time period there are many people who played critical roles.

First and foremost I must offer my sincere gratitude to all of the individuals who participated in the interviews. Time is our most
valuable asset, and all of these people were deeply generous with their time: Gary Bergstrom, Jeff Everett, Hap Fett, Bob Flaherty, Marty Flanagan, Steve Forbes, John Galbraith, Steve Harvey, Mason Hawkins, Charlie Johnson, Rory Knight, Douglas Makepeace, Paul Matthews, Bob Miles, Mohnish Pabrai, Michael Price, Don Reed, Julian Robertson, Jim Rogers, John Schott, Jane Siebels, Guy Spier, Lauren Templeton, Prem Watsa, Ed Weber, and Gabe Wisdom.

Since time is our most valuable asset, it is critical to recognize the behind-the-scenes efforts of the aforementioned interviewees’ colleagues and associates who helped coordinate all of this activity: Nickii Aleo, Geraldine Ashtiani, Sherrie Core, Jackie DeMaria, Julie Depperschmidt, Pat Hios, Michelle Lavonier, Christine Zazzali, and last but not least, Judy Proctor.

In addition to the key roles played by all of these people there are a number of people with the Templeton Press who provided essential guidance and effort in bringing together this project. Patience is a virtue, and these individuals have it in spades. Dealing with a writer who is also a fund manager requires great patience, and so a special thanks is offered to Susan Arellano, Natalie Silver, Trish Vergilio, Matt Smiley, and Sharon Kelly.

Last but not least, another round of genuine thanks goes to my wife, Lauren, and daughter, Mary Handly, for also remaining patient with my periodic absenteeism over the course of these interviews and writing.

Scott Phillips
Part 1

The Templeton Touch

William Proctor
EVERY AGE produces individuals who possess an extraordinary capacity for acquiring wealth. They seem to have a special gift or “touch” that enables them to accumulate material goods at a rapid rate.

Less successful people—including those who may have great aspirations to “make it big” but have not yet reached real wealth—often wonder: “Do I really have what it takes to reach the top . . . to formulate a personal investment strategy that could secure my family’s financial future . . . or even to move beyond mere security and make a fortune?”

A major purpose of this book is to explore, through the life of John Marks Templeton—who may justifiably be called one of “the world’s greatest investors”—the question of what it takes to succeed as an investor. Templeton was born into a small-town Tennessee family of limited means, and he and his folks were severely pinched by the Great Depression. Yet this relatively poor southern boy had the seeds of success in his personality, and he nurtured those seeds into full bloom in his adult life as an investment sage.

How did Templeton do it? What is the secret of his success as a “super investor”?

Part of Templeton’s formula for material success is very practical: