

## BOOK REVIEW

### “COMMON STOCKS AND UNCOMMON PROFITS AND OTHER WRITINGS”

**Author:** Philip A. Fisher

**Publisher:** Wiley

**Genre:** Finance, Investing, Nonfiction

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#### ABSTRACT:

*Philip Fisher's Common Stocks and Uncommon Profits and Other Writings is an investment masterpiece that emphasizes qualitative analysis and long-term growth investing. First published in 1958, it has become a classic in the field of investment literature. The book is divided into multiple parts, with the core being Fisher's fifteen-point checklist, which guides investors on evaluating the fundamental strengths of a company. This checklist covers areas such as the company's research and development capabilities, profit margins, management integrity, and competitive positioning. Fisher's approach underscores the importance of conducting thorough research, often referred to as "scuttlebutt," by gathering information from industry experts, employees, suppliers, and competitors.*

*A key theme in the book is the distinction between growth stocks and value traps. Fisher advocates for investing in companies with strong potential for long-term earnings growth rather than focusing solely on low-priced or undervalued stocks. He explains the concept of buying and holding, emphasizing that the best gains come from identifying great businesses and allowing them to grow over time, without frequent trading.*

**Key Words:** *Qualitative Analysis, Long-term Growth Investing, Scuttlebutt, fifteen point checklist, Management integrity, Competitive positioning, Buy-and-Hold strategy, Uncommon profits*

#### Introduction:

Philip A. Fisher's Common Stocks and Uncommon Profits and Other Writings is a landmark book in investment literature, first published in 1958. A forefather of growth investment style, Fisher developed a methodology for discovering top-tier companies with extraordinary long-term prospects. The book focuses on qualitative rather than quantitative analysis.

Common Stocks and Uncommon Profits and Other Writings is one of the most influential investment books ever written, offering timeless principles that have shaped the way investors evaluate stocks. The book marked a departure from traditional value investing by focusing on qualitative research and growth investing. This book is not just about picking

stocks based on numbers; it delves deep into understanding a company's management, competitive advantage, innovation, and potential for long-term growth.

At the heart of the book is Fisher's renowned fifteen-point checklist, a detailed guide that helps investors assess the intrinsic qualities of a business. This checklist includes evaluating a company's research and development efforts, management capabilities, profit margins, market leadership, and customer relationships. His method, often referred to as the "scuttlebutt approach," involves conducting thorough background research by gathering information from a company's employees, suppliers, competitors, and industry experts.

The book also introduces key investment concepts that have become essential in modern finance, such as the difference between growth stocks and value traps, the importance of patience in investing, and the buy-and-hold strategy. Fisher emphasizes that the best profits often come not from frequent trading but from holding onto outstanding businesses over many years.

Widely regarded as one of the most influential books in investment history, *Common Stocks and Uncommon Profits* has profoundly impacted legendary investors, including Warren Buffett, who incorporated many of Fisher's principles into his own investment philosophy. Fisher's timeless advice encourages investors to think independently, conduct rigorous research, and focus on high-quality businesses capable of delivering uncommon profits through long-term earnings growth.

### **About The Author: Philip A. Fisher**

Philip A. Fisher (1907–2004) was a pioneering American investor and author, best known for his influential book *Common Stocks and Uncommon Profits* (1958). He is considered one of the fathers of modern growth investing, emphasizing the importance of qualitative research when selecting stocks. His investment philosophy focuses on identifying companies with long-term growth potential, strong management, and sustainable competitive advantages.

Fisher founded his own investment firm, Fisher & Company, in 1931 and successfully managed it for several decades before retiring in 1999. He built a reputation for his *Scuttlebutt Technique*, which involves gathering information by talking to a company's employees, competitors, customers, and industry insiders to gain deeper insights into its operations.

### **Publisher:**

The publisher of *Common Stocks and Uncommon Profits and Other Writings* by Philip A. Fisher is Wiley. Wiley is a well-known global publishing company specializing in academic, professional, and educational books, including those on finance, investing, and business. This book has been part of Wiley's "Investment Classics" series, which highlights influential works in the field of finance and investing.

## Overview and Core Themes:

The book is divided into sections that cover Fisher's investment philosophy, his famous 15-point checklist for evaluating a stock, and practical insights on how to pick companies that will deliver outsized returns over the long haul. Fisher's concept of the *Scuttlebutt Technique* is a highlight, emphasizing the value of gathering information through conversations with industry insiders, employees, and customers.

This qualitative, research-heavy approach may sound unconventional, but it reflects Fisher's belief that understanding the essence of a business is key to successful investing. Unlike Benjamin Graham's *The Intelligent Investor*, which focuses on value investing and financial ratios, Fisher's approach centers on growth investing and uncovering companies with exceptional long-term potential.

The book also effectively explains the psychological aspects of investing, cautioning readers against herd mentality and urging them to think independently. Fisher's philosophy is rooted in patience, research, and discipline—qualities that remain as relevant today as they were in the 1950s.

However, some readers might find the book's style a bit dense or repetitive in parts, particularly when Fisher delves deeply into technical aspects. Additionally, while the principles are timeless, modern investors may need to adapt some of his ideas to today's fast-paced financial markets.

## Key Sections of the Book:

### 1. The 15-Point Checklist for Selecting a Stock

Fisher provides a detailed checklist of 15 factors that every investor should consider when evaluating a company. These points focus on areas like:

- Research and Development (R&D) strength
- Profit margins and management's ability to improve them
- Quality of management (integrity, vision, and ability to adapt)
- Long-term growth potential and competitive advantage

### 2. The Scuttlebutt Technique

Fisher advocates a hands-on approach to stock research, which he calls the Scuttlebutt Technique. This involves gathering information about a company by talking to suppliers, customers, competitors, and employees. By digging deeper, investors can uncover valuable insights that are not apparent in financial statements.

### 3. Focus on Long-Term Investments

Fisher emphasizes the importance of holding high-quality stocks for the long term. He warns against short-term speculation and frequent trading, instead encouraging investors to look for companies with sustainable growth and solid fundamentals.

#### 4. Conservative Investment vs. Speculation

The book distinguishes between investing and speculation, encouraging readers to take a disciplined, research-driven approach to investing, rather than gambling on market trends.

#### 5. The Role of Management and Innovation

A unique aspect of Fisher's philosophy is his focus on management quality. He believes that the right leadership can make a company adaptable and innovative, ensuring success even in changing market conditions.

### Strengths

1. **Timeless Principles:**

Fisher's investment principles have stood the test of time. His ideas about evaluating corporate culture, management integrity, and R&D investments are as relevant in today's tech-driven world as they were in the 1950s.

2. **Emphasis on Long-Term Thinking:**

Fisher advocates for buying and holding a few carefully selected companies with strong growth potential, rather than chasing short-term gains or diversifying for safety.

3. **Clear and Thought-Provoking Writing:**

The book is well-written, with practical examples that make it accessible even to readers without a background in finance.

### Criticisms

While the book is widely regarded as a classic, it may not appeal to everyone:

- **Lack of Focus on Quantitative Analysis:** Investors seeking detailed financial models or valuation metrics might find the book lacking. Fisher's qualitative approach is more subjective and requires deeper research and judgment.
- **Dated Examples:** Some examples, particularly from the mid-20th century, may feel out dated, though the core principles remain highly applicable.

### Impact and Influence

Warren Buffett, who was initially a strict value investor following the principles of Benjamin Graham, credits Philip Fisher's work for influencing him to adopt a more growth-oriented, long-term investment approach. Fisher's emphasis on identifying companies with sustainable growth potential, rather than focusing solely on undervalued stocks, helped Buffett blend value and growth investing, creating his unique and highly successful investment philosophy.

The book has left a lasting legacy on the field of investment by bridging the gap between value and growth investing. Fisher's principles encourage investors to seek companies with strong fundamentals and long-term growth potential, a balanced strategy that remains highly relevant in today's dynamic financial markets. His timeless advice on conducting thorough research, thinking independently, and focusing on quality businesses continues to guide and inspire investors around the world.

## **Personal Reflection**

Reading *Common Stocks and Uncommon Profits* is an eye-opening experience that offers valuable insights for anyone looking to build long-term wealth through stock investing. Fisher's advice on thinking beyond short-term profits and focusing on a company's long-term growth potential is both inspiring and practical. His emphasis on understanding a company's management, innovation, and competitive positioning resonates deeply in today's world, where businesses thrive on intangible assets like intellectual property and brand value.

## **Who Should Read This Book :**

This book is ideal for:

- Long-term investors who want to learn how to evaluate companies beyond financial metrics.
- Anyone interested in growth investing and the qualitative aspects of stock selection.
- Readers looking to understand the foundational principles that influenced legendary investors like Warren Buffett.

## **Conclusion:**

*Common Stocks and Uncommon Profits* by Philip A. Fisher remains a timeless classic in the world of investing. Philip A. Fisher's emphasis on qualitative analysis, long-term growth, and management quality has profoundly influenced modern investing strategies. His 15-point checklist, Scuttlebutt Technique, and insights on evaluating innovation and competitive advantage offer invaluable guidance to investors seeking to build sustainable wealth.

This book is recommended for anyone interested in stock market investing, from beginners seeking foundational knowledge to seasoned investors aiming to refine their strategies. Fisher's principles, though written decades ago, remain remarkably relevant in today's ever-evolving financial markets. For those who prefer thoughtful, research-driven investing over speculative trading, this book offers a solid framework for long-term success.

In essence, Fisher's work teaches readers not just how to pick stocks, but how to think like an intelligent, disciplined, and patient investor.

## **Reference:**

“Common Stocks and Uncommon Profits and Other Writings” – Philip A. Fisher (2003)