Book List For New Investors

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Recently a friend asked me what I would read if I was starting from zero. I thought it might be something someone else would appreciate as well.
For some context, I did not go to University or business school of any kind. I was not brought up in a family that talked about the economy, stock market, interest rates or politics. I have paid multiples of a degree in lessons learned first hand (mostly because I'm too dumb to learn them through others). I have been fortunate enough to stumble into proper mentorship for my style at the appropriate time to have some success.

Foundational Skills for understanding the language of business

This section is just about educating yourself about business and accounting. Though reading books is a great start (and way better than following popular accounts on Twitter), I would recommend finding a mentor that suits your style. I don't think focusing on someone who has had a stellar run recently is valuable. I think that finding someone that is 10-15 years older who embodies the qualities in an investor that you admire is much more beneficial. Extra points if they have been through at least 3 market cycles.

- The Basics of Understanding Financial Statements: Learn How to Read Financial Statements by Understanding the Balance Sheet, the Income Statement, and the Cash Flow Statement
- I originally purchased a book that I used as a glossary to look up terms as I familiarised myself with the various terms and jargon. I had zero exposure to business or investing growing up and I did not go to business school so this book was a must for me. If you are smarter than me (very likely) you can get away with just using Investopedia or Google to look up terms you don't understand.
- I would recommend watching this video by Bill Ackman as well. It wasn't available when I first started.
- Financial Shenanigans by Howard Schilit: more advanced but shows how games can be played with accounting.

Understanding businesses and the competitive landscape

This is just about getting to understand the various drivers of a business. If you went to business school this may be a waste of time or you may need to read every book listed here twice. I had no business experience when I started investing and it showed. Other than these books, I would suggest looking outside the world of finance to get an understanding of how to run a business and lead a team. I was fortunate enough to have my day job force my business acumen development as I was hired into a role that I was way under qualified for. I had the responsibility of almost 80 team members and 3 different income statements. As well I was responsible for product quality and worker safety.

- Toyota Kata gives you a look into the management practices of Toyota. It really helped me as I stepped into a management role in my day job.
- Competition Demystified helped me understand some competitive dynamics as a person who grew up in a house that never discussed businesses. It was way easier to read than Porter's 5 Forces, at least for me.
- Chasing the Rabbit reinforced concepts of how companies can prioritise specific metrics and manage complex systems.
- The Goal goes over the Theory of Constraints in novel format. It is easily digestible even if you are not in operations. This book is a must read if you are interested in operations. It helped me understand and explain some key concepts to my team at the time as well it has served me well in meetings with management teams as an investor.
- The Rebel Allocator is an easy to follow example of capital allocation told through the eyes of someone who is new to the concept. This book could fit in a few different categories.
- Intelligent Fanatics Project: How Great Leaders Build Sustainable Businesses is a good look at how some of the better operators can achieve amazing results.

Some basics on how you can pick stocks

Don’t think for one second that you need to invest like anyone else. The right “style” is like the right diet. It’s what you can stick with that matters most. I found these valuable, but it doesn’t mean you will.

- Common Stocks and Uncommon Profits is a classic but must read as your grow beyond statistical research.
- You Can Be a Stock Market Genius: Uncover the Secret Hiding Places of Stock Market Profits goes over why to look at strong profitability and low expectations. Note this strategy works in cycles and can have some survivorship bias, although Greenblatt is a very smart investor.
- One Up On Wall Street: How To Use What You Already Know To Make Money In The Market is a must read to help you start thinking about businesses that are succeeding today. Although the businesses mentioned are consumer facing for the most part the concepts can be applied elsewhere. You could also read Beating the Street by Lynch.
- The Perfect Corporate Board goes over exactly what the title states. Though not always a deal breaker, when you find a great board with aligned incentives amazing things can happen.
- The Intelligent Investor is a book I enjoyed but mention with some hesitation. Depending on the cycle it may lead you into be overly fixated on quantitative measures. Although many look down on investing in net-nets, they have outperformed the market over a long period of time.

The spirit of continuous improvement for your process

The feedback loop is long in investing. Many of the favourites of today will not be the favourites of tomorrow. I recommend documenting your decisions, your trades to see performance and your overall thoughts and feelings as some specific cadence (perhaps once a month).

- Checklist Manifesto is great at reinforcing that complex procedures don't need sexy and sophisticated solutions. Doing what's simple consistently will lead to extraordinary results.
- The Manual of Ideas goes over different ways to find ideas and different idea types. This book could have been placed in multiple sections.
- I believe every decision needs to be documented. So using a paper journal or something like Journalytic is very valuable.

Hacks to get the most of your time

Time is of the essence. These books include some hacks on how to get the most out of it.

- Extreme Productivity has some good tips on how to get the most of your most precious resource, your time. It has some in depth examples of how to juggle work, family and interests as well as some quick wins for your productivity.
- Deep Work gives you an understanding of what your brain can actually absorb in any given day and how to maximise your cognitive abilities by focusing. Anything by Newport is a good read.
- Atomic Habits is really popular. The book is foundational for how to think about your habits and how to think about setting goals.

Know thyself – how to get behind the psychological side

This topic is underappreciated by most investors, especially men. Most men grew up being told to hide emotions or that we are weak if we cry (or otherwise become emotional with loss). As such, my experience is most men can improve at handling their emotions. Believe me, I know I am a work in progress with this. I have found the most enjoyment and personal development both with investing and the other parts of life have come from reading and improving my mindset and presence for those around me.

- Ego is the Enemy is a good reminder that your competition is yourself not everyone on social media.
- Mistakes were made but not by me takes a look at the psychology of why we are wired for self-justification.
- Triggers was a good read for me at a time when I needed to slow down my thought processes and become less rigid in my thinking.
- Nudge is a book that it feels like everyone has read. The real-life examples of choice architecture are worth the read alone.
- The Psychology of Money is one of my favourite books on the list. It goes over some different stories of why we view money the way we do. This is another book that could find a home in different sections.
- The Emotionally Intelligent Investor: How self-awareness, empathy and intuition drive performance. Not much to add other than it helped me along in my journey.
- The Elements of Scoring: A Master's Guide to the Art of Scoring Your Best When You're Not Playing Your Best is a book I have heard good things about, but it sounds like a book I would have benefited from early in my journey.
- Quit: The Power of Knowing When to Walk Away is great at helping frame some kill criteria and setting boundaries.
- Mungers talk on Human Misjudgments is always worth a listen (video here). There are many books on our different biases and many have made it their mission to find them all. I have found that I have a better time digesting them if I stick to a few and not get too complicated with this.
- Thinking in Bets by Annie Duke. Must read for those interested in the markets. Goes over things like resulting, self-serving bias, overconfidence and much more in our decisions.
- The Behavioral Investor by Daniel Crosby. A good book on how to work through your emotions and center yourself as you embark on your investing journey.

Reinforcement on the magic of compound interest and what it can bring

These books go over what the effects of smart capital allocation can do for you over a long timeframe. The numbers are a bit mind boggling at first.

- The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success is a must read for investors. It goes over the key concepts of capital allocation and gives real examples of how it was applied successfully.
- Free Capital was a game changer for me. I never really thought it would be possible to live off investments unless I was 65 or something. Real life examples of all sorts of full time investors.
- 100Baggers gives real examples of stocks that have 100 bagged. It shows that if you really want these outsized returns, you will need to live through volatility.

Hoping someone found this useful. Let me know if you have anything to add. And feel free to share any other books that shaped you as an investor.

Thanks for reading,
Dean