

# Business lessons from Beethoven

By [Mel Meltzer](#)

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"For the last three years my hearing has grown steadily weaker ... in the theatre I have to get very close to the orchestra to understand the performers, and ... from a distance I do not hear the high notes of the instruments and the singers' voices."

These were the words of Ludwig van Beethoven in 1801. At the young age of 30 his hearing was deteriorating and he was going deaf. At this stage in his musical career, he was already recognised as a leading pianist and composer. He continued to compose despite the ringing and continuous buzzing in his ears, propelling the world of music to new developments and heights.

## Too much noise

Perhaps therein lies a lesson for us as fund managers. There is always so much noise around us, political, economic, energy supply problems, downgrades, and the ongoing pandemic. This onslaught of information overload creates uncertainty. This can lead us to extrapolate the bad news flow into our investment decisions. In bull markets and bear markets we need to deafen ourselves continually to the noise around us and keep to our business.

We should remain deaf to the noise, paranoia and hysteria of others and focus our energy on our own trusted process. The deaf investor should stay headstrong on holding a well-diversified portfolio of great companies and following a disciplined strategy for decisions making. Selling shares when they become expensive and buying them when they become cheap.

So, in the current market, we should focus on the still, silent voice within. We should caution ourselves not to get caught up in the current optimism and positivity that may lead us to be too aggressive and take on more risk.

Let us observe Beethoven's faith in his own mind, and calmly do what we do best by following our innovative and unique philosophies. These processes will guide us as we bring our portfolios back into balance and back to the correct asset allocation. This is the making the best long-term decisions for our client's portfolios.

## Overvalued

In our deafness our process confirms what Peter Lynch mentions in his book. "In the current market p/e ratios do not exist in a vacuum. The stock market as a whole has its own collective p/e ratio, which is a good indicator of whether the market at large is overvalued or undervalued. I know I have already advised you to ignore the market, but when you find that a few stocks are selling at inflated prices relative to earnings, it's likely that most stocks are selling at inflated prices relative to

earnings.

"That is what happened before the big drop in 1973-74, and once again (although not to the same extent) before the big drop of 1987. During the five years of the latest bull market, from 1982 to 1987, you could see the market's overall p/e ratio creep gradually higher, from about eight to 16. This meant that investors in 1987 were willing to pay twice what they paid in 1982 for the same corporate earnings - which should have been a warning that most stocks were overvalued."

Our process has guided us to same conclusion, we cannot find companies to buy at a fair price.

If there is anything, we should all take away from the this unpredictable cycle, is that when it comes to investing, being deaf to the noise proves fruitful in making decisions.

To end, another musical genius Frederic Chopin said: "Time is still the best critic, and patience the best teacher."

## ABOUT THE AUTHOR

Mel Meltzer's track record spans more than two decades as an investment manager in both local and global markets. He is joint manager of the Platinum Portfolios' global and local funds and investment solutions.

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