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Mohammed Amin

We have recently made the acquaintance of like-minded Mr Amin who amongst other things runs a lively investment website. Here we reproduce one of his recent articles:

'I recently attended a talk by Mr Terry Smith, Chief Executive of Fundsmith LLP, which was given to the Conservative Muslim Forum.

'One of the points he made is that management charges can have a big impact upon your investment outcome. To illustrate this he referred to Berkshire Hathaway, the investment company that since 1965 has been managed by Warren Buffett. He said that if you had invested $1,000 in Berkshire Hathaway when Warren Buffett took over, by now it would be worth over $4 million. That did not surprise me, as the statistic is well known. Such sustained performance over such a long period demonstrates Warren Buffett to be one of the greatest investors of all time.

'Mr Smith went on to explain what would have happened if Warren Buffett had made the same charge for his services as many hedge fund managers, namely 2/20. As probably the greatest investment manager in the world, it would not be unreasonable for him to charge such a fee. 2/20 means charging an annual management fee of 2% of assets, and an performance fee equal to 20% of any positive growth. Mr Smith stated that if these charges had been made, instead of over $4 million you would only have about $400,000.

'The other 90% of the growth would have ended up with Warren Buffett if he had chosen to reinvest his management fee income back into Berkshire Hathaway. (Even if Warren Buffett spent the management fees, you would still only have $400,000!)'

Mr Amin's entertaining comments can be readily accessed at this address: http://www.mohammedamin.com/Finance.html