

Jeremy Grantham's (GMO) memoir contains still relevant investment lessons but lacks humility

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Introduction

Jeremy Grantham, alongside co-author and financial historian Edward Chancellor, published his memoir in early 2026. In this volume, he reflects upon six decades in financial markets. Grantham is highly regarded as investor, and environmental philanthropist and propagandist. The book provides a comprehensive overview of his career, spent largely at GMO which he co-founded, portraying him as a long-term, fundamental value oriented and outspoken investor. It offers countless historical insights relevant to seasoned investors and analysts. This is also true for young investors who might mistakenly assume that financial and economic history or the perspectives of an 'old Englishmen' offer little value in today's fast-changing, digital and AI-dominated investment landscape.

Risk is not accurately measured by volatility as the finance professors claim. Real risk is mainly career and business risk, which together shape our industry.

Grantham demonstrates that, ultimately, humans make decisions and often make mistakes due to well-documented biases and fears concerning career and business risks. He also writes extensively about the climate crisis the earth is facing, while mankind is neither acknowledging nor tackling it to any significant degree. He describes how he invests in companies that try to confront less commonly mentioned environmental risks and challenges via his Foundation.

Upon reading the memoir, one cannot overlook how proud he is of his achievements in both investing and philanthropy. At times, the tone comes across as arrogant and

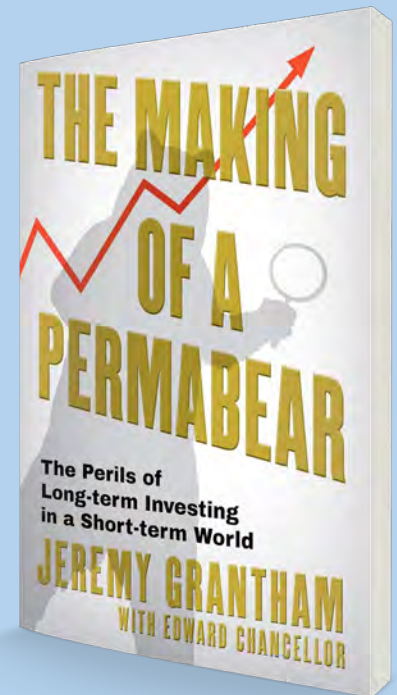
even 'revenge-oriented' towards those who disagreed with him. A more modest and humble writing style regarding his career, investment insights, and climate reflections would have improved bringing home his message. This critical review explores these topics in the sections below.

Grantham & GMO: Investment strategy

Born in England, Grantham worked at Shell before co-founding first Batterymarch and subsequently GMO. There, he and his colleagues built upon the fundamental investment strategies first applied at Batterymarch. They were among the earliest investment managers to apply, at the time still basic, quantitative stock selection models. Subsequently they also were one of the first US managers to invest in developed markets outside the US and later in Emerging Markets.

As noted in the introduction, Grantham and GMO, were very focused on the fundamentals and the difference between price and value. If an asset was deemed cheap, they would buy a lot of it, even if doing so exceeded their traditional equity 'mandates'. For instance, they loaded up upon US Treasuries in 1982 when interest rates were sky high. Conversely, they retained a very large underweight in Japanese stocks during the bubble-period before 1989, despite Japan representing a very large portion of their international equity benchmark. Both large bets worked out well for the firm's performance, reputation and AUM.

GMO was never shy to take these sizable bets in countries, sectors and investment styles. Later on, particularly leading up to the Internet Bubble, they maintained this style and became even more outspoken about it, partly to defend their contrarian bets.



Auteur: Jeremy Grantham, Edward Chancellor
Uitgever: Grove Press
ISBN: 9781804711194

Grantham frequently highlights that most investors care more about career and business risks instead of focusing on the fundamentals and investing properly. This often means avoiding big bets (underweight) on overvalued stocks or sectors and not willing to go against the flow, momentum and 'common' opinion. Grantham writes that efforts to reduce career risk leads to herding, momentum-chasing and extrapolation, which together are the main causes of mispricing. GMO was willing to retain contrarian positions for years, despite underperforming peers and being battered by clients and hit by outflows. They tirelessly explained their logic towards clients and in the well-read investment letters of Grantham.

GMO practiced common-sense investing and was not influenced by hype or momentum. There was always sound logic about their way of operating. They focused on investment cycles as well as capacity limits of their strategies. They frequently closed strategies due to capacity concerns, a discipline more firms should adopt in my opinion. As Grantham points out, while every investment professional knows that it is an ironclad law that size reduces performance, many have a vested interest in 'muddling the water' to keep growing.

Lessons for investors: valuation and investment behavior

The book compiles investment lessons Grantham wrote about in letters or spoke about in public over the past decades and are scattered in lists throughout the respective chapters. These lessons remain highly relevant for current investors: both institutional and retail. The insights were shaped by his character. During his entire life Grantham showed intellectual curiosity, which drove his continuous attention towards research on investment and later environmental matters. He also pushed his staff to continuously improve and innovate, by requiring a new idea from them every week.

One of his most important research areas were valuations and profits. This research made him a steadfast believer in mean reversion for equity market valuations and profit margins, both for individual companies and the economy at large. This belief is grounded in his understanding of human investment behavior and capitalism. He frequently emphasizes several key points:

- Regression to the mean within business economics and financial markets is 'near certain', however timing the 'popping' of the bubble is highly uncertain.
- Markets tend to overshoot during these mean reversions.

Grantham stresses that investment behavior drives markets, requiring investors to remain disciplined and stick to the plan. This includes the willingness to go against momentum. During various cycles, his firm showed the courage to build positions in heavily beaten-down markets and sectors. He also demonstrated a willingness to reinvest following financial crises, showing

the courage to 'step on the gas' rather than remain a permanent bear. However, he also displays excessive pride in 'perfectly' picking market bottoms and the accuracy of GMO's long-term asset class forecasting models during the 1998-2008 period.

Although Grantham and GMO were at the forefront of the development of quantitative investment strategies, he warned against the risk datamining as early as 1991. It frequently showed up ever since and is becoming an even larger and more difficult to control risk when GenAI is combined with numerous and instantaneous available datasets.

Broader view on environment, climate and society at large

In the latter part of the book, Grantham describes his transition towards becoming increasingly alarmed by environmental issues and societal trends. He addressed this during speeches and investment letters. He has used his extensive network to inform high-ranking government and management officials.

During his career he accumulated significant wealth which he channeled towards both philanthropy and investments related to the environment. He has funded research into climate risks that often escape mainstream attention such as soil erosion, declining sperm quality, and pathogen immunity. He also addresses the threat to pollinators caused by toxicity and chemicals. This part broadens the scope of the book, offering additional insights compared to his more widely known investment lessons.

In addition to environmental matters, he writes about the rising power of US corporations and industry concentration. He argues this has led to historically high profit margins but also increased societal inequality. Grantham is provocative and addresses critical issues for mankind; now more than ever, I'm of the opinion we need individuals like Grantham willing to take a stand on long-term societal and environmental challenges.

However, unlike his insightful investment lessons, he fails to provide a clear list of solutions or actions that politicians, managers, or readers can and should take

to address issues on corporate power and climate risk. While the book is a memoir, it would have had a greater impact if it included potential solutions, perhaps in an appendix. I'm certain Grantham has well-researched options available.

Grantham style of writing

The book is highly accessible to a general audience interested in investing and financial history as it avoids industry jargon. However, Grantham occasionally overdoes the confidence regarding his achievements and insights in investments and climate changes as well as his philanthropy. He is very proud of the prizes and honors he has won. Combined with being outspoken and a propagandist, readers may find him too arrogant, with characteristics reminiscent of Donald Trump and Louis van Gaal. His tone can sometimes sound like 'revenge-seeking' towards clients who left GMO before the dot-com bubble burst. Notably, he uses aggressive, militaristic language, words like 'enemy', 'battle plan,' and 'my troops', when discussing environmental initiatives. It is also striking that while the first part of the book discusses mistakes and failures, the latter part does so much less.

Conclusion

Jeremy Grantham's memoir, *The Making of a Permbear*, provides an informative overview of his 60-year career in finance and growing focus on environmental activism. The book's value lies in the investment experiences and lessons he shares, including its emphasis on long-term investing through fundamental valuation and the 'near certain' law of mean reversion. Grantham also makes a strong case for addressing ignored risks of climate changes and increased corporate power in the US.

His memoir could become an investor classic if the next version includes a more structured list of investment lessons, historical market events and investment return charts. A modest, less self-servicing writing style and the recognition of the achievements of others will further improve the reception of his important messages. Despite these flaws, the book remains an educational resource for understanding how human behavior and personal biases drive investors and financial markets.