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Who Is the World's Smartest Investor?

<http://www.fool.com/investing/general/2011/01/10/who-is-the-worlds-smartest-investor.aspx>

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Remember "Deep Blue"? This chess computer famously defeated world champion Garry Kasparov in 1997. Today, Deep Blue has a much broader significance to me and many of my fellow investors. In fact, Deep Blue means more to you than you may realize.

Deep Blue is how you beat the market.

The pieces are stacked against you

Let's step back for a moment, all the way to May 1997. Reigning world chess champion Kasparov is defeated in a six-game match by an opponent whose playing strength, in the words of Wikipedia, was mainly "brute force computing power."

Deep Blue, built by **IBM**, brought its 11.38 gigaflops of calculating power -- along with [some guy in spectacles pushing pieces around](#) -- to the table. The headlines soon read: "Machine Beats Man." It was the first time under standard tournament chess rules that a machine took down the world's best chess player.

As I start to explain how Deep Blue will help you beat the stock market, let me ask you this: Had a *machine* really beaten the man? I don't think so. Forget the headlines. Concentrate instead on the particulars of the situation.

A whole bunch of IBM programmers, teaming up with a gaggle of grandmasters, *worked together* to program the machine that beat the man. It wasn't really a story of a machine winning. It was a much simpler story, the sort that plays out on the proverbial unsupervised school lot: A bunch of bullies ganged up on one geeky guy and knocked him down. It was a completely unfair match.

At The Motley Fool, we're quite aware that investing isn't a fair match, either. People who go it alone -- even the grandmasters -- are increasingly in deep trouble. That's exactly why we're aiming to be the bullies.

We believe that by **working** really hard as a community -- *together* -- we will ensure that we all arrive at better information, deeper insights, broader perspectives, and bigger profits than a single mom-and-pop investor, or a single Wall Street analyst, or even an entire hedge-fund research team. We are building a new model for research that brings together tens of thousands of people, not one lone analyst.

The pawn stands alone

Do you still invest by yourself? Are you quoting your portfolio, reading your 10-Qs, checking the stock charts, keeping a journal, typing it all into Quicken, and tracking your performance ... *alone*?

Rather than settle for solitude, why not add your efforts to our community intelligence and reap the benefits of what we have to offer?

Members of our 170,000-person-strong CAPS investment community pick whether they think a stock will outperform or underperform the market. Our proprietary CAPS algorithm then rates those stocks on a scale of one to five stars, weighted by each member's stock-picking ability.

To date, CAPS has a great record of achievement:

Stock Group Return

Five-Star	30.9%
Four-Star	21.5%

Three-Star 9.9%
 Two-Star (5.3%)
SPDRs (9.8%)
 One-Star (48.4%)



Source: Internal data from Dec. 29, 2006 inception to Dec. 31, 2010.

By combining our knowledge, CAPS members managed to avoid some of the biggest recent blowups. For example, members indicated at the start of 2008 that they had little confidence in Washington Mutual, General Motors, Fannie Mae, and many other blowups by giving them one-star ratings. Conversely, top performers like **Bucyrus** and **Atheros Communications** (Nasdaq: [ATHR](#)) were rated five stars at the time. Today, CAPS players remain bullish on these two companies, awarding them five- and four-star ratings, respectively.

So what companies are CAPS players wary of and bullish on today?

The following stocks are currently just rated as one star. Here's why:

- **Tesla Motors** (Nasdaq: [TSLA](#)) -- Unprofitable, faces stiff competition from larger auto makers' plug-in models.
- **St. Joe** (NYSE: [JOE](#)) -- Skepticism about the valuation of the company's properties.
- **Vonage** (NYSE: [VG](#)) -- Difficult competition from **Verizon**, **Comcast**, and Skype.

Conversely, CAPS players are bullish on these five-star stocks:

- **Ebix** (Nasdaq: [EBIX](#)) -- High margins and growth, wide market opportunity in insurance IT.
- **Sysco** (NYSE: [SYY](#)) -- High moat business that generates strong cash flow.
- **Infinera** (Nasdaq: [INFN](#)) -- Strong technology and long-term Internet growth opportunity.

It takes a village ...

If you take away just one thing from this article, let it be this: Investing should not be a solo venture. Going it alone might just make it harder than it needs to be.

So I encourage you to get your family involved. Get your friends to help you cover public companies -- and reciprocate the research for them. Join an investment club, or come check out [CAPS](#). Find a discussion board where you can share thoughts and analysis with like-minded investors. Remember the power of Deep Blue.

When you get the benefit of interactive, community-based research -- which draws doctors, techies, homemakers, accountants, mallrats, and investment junkies of all shapes and sizes -- you will

operate like a good venture capitalist. Like them, you'll get in front of "deal flow" and locate the best companies, because like them, your information is simply better.

Think of your portfolio as a chess computer. You want as many people -- as many expert insights -- as possible programming your portfolio.

Next week, we're reopening our [Motley Fool Pro](#) service to new members. This real-money portfolio service has invested \$1 million of real money in a portfolio designed to make money in any market using long and short positions in a broad range of securities, including common stocks, publicly traded put and call options, and exchange-traded funds (ETFs). To learn more about *Motley Fool Pro* and to receive a private invitation to join, simply enter your email address in the box below.

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