



Enduring Investment Lessons From The Legendary Mark Mobius

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Dr. Mark Mobius, widely considered the father of emerging markets investor and a man who helped put the world into everyone's grasp during his long career running funds at Templeton, passed away in mid-April. John Cole Scott, President of CEF Advisors, recounts Mobius' legacy and lasting lessons by digging into interviews conducted by his father, George Cole Scott, Founder of the Closed-End Fund Letter, with Mobius over the decades. Scott, the chairman of the Active Investment Company Alliance, makes sure to include why Mobius felt that the closed-end fund structure was particularly useful for emerging markets investors following his value-oriented strategy.

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CHUCK JAFFE: We're remembering legendary investor Mark Mobius and his lasting lessons with John Cole Scott, president of CEF Advisors, this is The NAVigator. Welcome to The NAVigator, where we discuss all-weather active investing and plotting a course to financial

success using closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, a unique industry organization representing the entire closed-end fund industry from users and investors to fund sponsors and creators. If you're searching for excellence beyond indexing, The NAVigator will point you in the right directions. Today, we're talking about someone who went in many, many directions, places that most investors never traveled, and we're doing it with John Cole Scott, he's the president of CEF Advisors, where they produce great data covering closed-end funds, but where he's also produced a remembrance piece for Dr. Mark Mobius, the subject of our interview today. So you can go to CEFData.com to dig through their data on closed-end funds and to check out what they might be thinking about your investments, but you can also go there, follow the link that we've got in today's show notes, that will get you to his full remembrance piece on Dr. Mark Mobius. John is also chairman of the Active Investment Company Alliance, which you can learn about AICAlliance.org. John Cole Scott, it's great to have you back on The NAVigator.

JOHN COLE SCOTT: Always enjoy being here, Chuck.

CHUCK JAFFE: John, Mark Mobius, an absolute legend, particularly when it comes to emerging markets investing, he's really kind of noted as the father of the genre, he passed away at 89 back on April the 15th. I interviewed him once or twice, maybe two or three times in my career, also interviewed Sir John Templeton back in the day, wish I had had more opportunities. But you, through your father, himself a legendary investor at least in the closed-end fund space, because George Cole Scott, founder of the *Closed-End Fund Letter*, he had a special relationship with Mark Mobius, where they did a bunch of interviews over the time, and that's part of the basis for your piece. So first thing's first, just a little retrospective on Mark Mobius, and then let's dig into Mark's lasting lessons as you enumerated them in your piece.

JOHN COLE SCOTT: Yeah, so those who knew my father knew how much he loved travel, he had a famous ancestor that was imprisoned by Catherine the Great, he did those big trips in his life going to Hong Kong for the changeover where actually I learned he had breakfast with Dr. Mobius the day after in the journals that we were able to review, and did a trip across Russia as well later in life. So my dad's passion for not retiring, his passion for the international markets, he loved finding Mark, whether on an airplane or at midnight, they both just seemed to be from the same type of DNA in their view in the world, their excitement

for the newness and the uniqueness of markets beyond the US. It was a wonderful opportunity to go through 17 interviews, there's about 75,000 words published opportunity to sift and organize and remember those conversations I heard him have when I was a child to when I was working with him many years ago, so it was beautiful.

CHUCK JAFFE: I will point out just a little bit of synergy. You found out Mark Mobius had passed while you were on your way to Peru, which is where your wife is from, but traveling the world and having Mark on your mind gave you a lot of time and solace to think about Mark's lasting lessons.

JOHN COLE SCOTT: It was. We ended up spending the week in Arequipa, Peru. It's a beautiful mountain town in the shadow of a giant, dormant volcano where my wife went to university, and I got to eat the food and see the people and reconnect with her friends, and just see a wonderful place that I hope many people can see places like Arequipa. These markets that are less likely to be in portfolios but I think can offer a lot of value and a lot of strength and a lot of just watching people. With governance and capital, people can be lifted up and the world can be better, and that's one of the themes that comes through his conversations with my father over the years.

CHUCK JAFFE: It does. So again, we're talking about a piece that you wrote that folks can find at CEFData.com, linked up in our show notes, but from it you've culled Mark Mobius' top 10 lessons from a lifetime of emerging markets investing. Let's run through them, and while they're numerically listed in the article, I know you've grouped them together in your own head here.

JOHN COLE SCOTT: Yeah, so one of the lessons was embracing volatility and not fearing it. Volatility is a feature of investing, I've always argued about closed-end funds, it's not the only risk to worry about, he did the same thing with these stocks. He loved these small cap international emerging market stocks, these were not bugs but they were especially important for EM equity. And again, one of his quotes I culled was, "The bigger risk isn't volatility, it's reacting to it."

CHUCK JAFFE: Love that.

JOHN COLE SCOTT: And then he said, "Be a patient long-term investor." He was always willing to change his mind, but he never worried about what the next quarter end would do to the performance of his fund, he was always thinking in three to 10-year horizons, not these

quarters. Another quote that I pulled from him in these interviews was he didn't look at the current state of the market, he's always thinking about the future three, five, and 10 years ahead, what's the trend? Whether it's cellphones or governance or just where capital will flow that people aren't focused on today? He was in 110 countries in his career, he would spend his life in hotels and airplanes, really bringing to life that idea of boots on the ground, hand-to-hand interface with management, and later even owners of the companies, would be the way you find the best companies, and not just reviewing a FactSet report or a summary of an article.

CHUCK JAFFE: He told me in one of the interviews that I had with him that there was no substitute for seeing it for yourself.

JOHN COLE SCOTT: He was also a contrarian, but with discipline. And so how I view that is, just like John Templeton would say, "When there's blood in the street, you're the buyer," be that buyer when others are selling, but research it with fortitude first. He was not a willy-nilly risk taker, he was a prepared, calculated risk taker. The only way he felt he could consistently stay ahead of the game was to adopt a long-term view, and if appropriate, with a strong contrarian spin. Because remember, when everyone's angry, prices are cheaper, when everyone's happy, prices are expensive.

CHUCK JAFFE: In there, we've gone through a couple of different of his lessons, what are a couple of others?

JOHN COLE SCOTT: Really his process, his research process could be summarized in a couple ways. One, as we talked about, he literally, as I said, got boots on the ground, first-hand visits, local conversations, direct observation. As an immigrant, his father was German, his mother was Puerto Rican, he studied in Japan early in his life to get that bite for that foreign travel, and that secret of global investing was gaining insight into the hopes and desires of the people who lived and worked in the countries that you are choosing to invest in. He felt that investment was tied to people, and not just market returns.

CHUCK JAFFE: And in fact, one of the lessons that you talked about is that he vehemently believed in active management. He was very skeptical of ETFs when they first came out, I think he was less skeptical as he started to see that there would be actively managed ETFs, but the real thing was, especially with what he was doing, there's no way for passive to really replace what he was doing.

JOHN COLE SCOTT: Yeah, especially, like I said, small caps, emerging markets, these are stocks where you definitely don't want just the biggest ones, it reminds me a lot of the things we thought about in our work. But yes, going back to management that you can trust, that key point he would always talk about was you're buying the management with governance as much as the assets you're actually investing in. And a quote that I pulled for that was, "If you buy good companies with solid management and low debt, they can often perform well in the long term." I also read that he expected of 10 companies, only maybe one would do amazing. He made mistakes, he was human, and he couldn't see everything coming, but he did really good boots on the ground research when he decided to pick these stocks. For that flagship EMF fund, which is still on the market, launched in, I want to say 1989, he was hired to run a \$100 million fund back at Templeton under Sir John, and he grew it before he retired, managing it to, I want to say \$60 billion across so many structures, it would keep most people's brains crazy.

CHUCK JAFFE: The thing is that you hear Dr. Mark Mobius, and you're talking about Templeton and emerging markets, and for most people they'd be thinking traditional open-end mutual funds, but Mark Mobius loved the closed-end fund structure, which if he hadn't, your father and he never would have had the conversations.

JOHN COLE SCOTT: Absolutely.

CHUCK JAFFE: One of his lessons is really that he liked closed-end funds because they helped you when you had markets that are less liquid.

JOHN COLE SCOTT: He did, and as a manager, if you as the investor wanted out, he didn't worry about that, he wasn't having to sell a telecom company in Singapore to give you a dollar back, and so that structure was really crucial to the development of the strategy to put the opportunity in the fixed-capital. It's just what closed-end funds are great at, were so perfect for the launching of his funds in the late eighties and the nineties, really the heyday of country fund emerging market investing for closed-end funds. But again, he was a convicted investor, but he also was smart enough to diversify intelligently, spreading his risk about countries, sectors, and names, because he understood there were going to be EM shocks he couldn't plan for, and he was doing his best to make sure that shareholders were protected while still having an actively selected portfolio. Because the double-digit growth in the emerging markets, way more than in the United States over those years, but you still

have to diversify because no one knows what's going to happen next for you to actually avoid unexpected blowups.

CHUCK JAFFE: More than most managers I ever encountered, he was really concerned with governance. Corporate governance issues, and not just corporate governance issues like how well is your company managed, but a lot of the things that can come up when you're dealing with different markets and different economies around the world where they don't have an SEC to oversee things, so things are not necessarily quite so clear. He was literally involved around the world talking about corporate governance.

JOHN COLE SCOTT: He was, and he wasn't the only one of course, but I think he was one of those leading ones, bringing these ideas to these countries, forcing governments and their markets to accept what he was asking. Now when he was at \$100 million nobody cared about it, but as he grew it to \$60 billion, he became a guy you could not avoid if you were in the markets he was focused on.

CHUCK JAFFE: Some of his lessons are kind of an extension of Sir John Templeton, which is not a surprise because John Templeton and Mark Morbius were kind of like Charlie Munger with Warren Buffet, two great things where one maybe gets more headlines, but they're both pretty involved. For John Templeton, price was pretty much everything.

JOHN COLE SCOTT: Yes, digging through and picking those prices, definitely a key part of thinking about risk, and that includes thinking about currency risk. Because remember, when you're buying stocks all over the world, some investments are tied to the dollar, some are not tied to the dollar. We saw last year, if you were overweight global funds like we were at CEF Advisors for our clients, we had a very good year because the currency gave us a tailwind on top of the actual returns, he had to consistently think about currency risk. And even he'd talk about times, and this actually surprised me in hindsight based on who I thought he was, sometimes he would say, "You know what, it's kind of risky now, maybe you should be five or 10% gold," and that wasn't what I thought he would say until I dug into the interviews and found that there were times he actually thought gold was a great hedge in the nineties and 2000s.

CHUCK JAFFE: Two more things that we should cover. At this point we've covered pretty much, I think, eight of the lessons. One kind of personal to Mark Mobius, but also to your

father, as you point out in the article, is that people who love what they do don't stop doing it early.

JOHN COLE SCOTT: Absolutely. Mark was born a year before my father, he ended up retiring the same year my father passed away, and they both had long, varied careers. Mark didn't start managing money until he was in his fifties really. He did a small tidbit earlier, but he was a method actor. He was not the guy that went to Wharton and graduated and went to Wall Street at 23 years old and built a career, he was much more multi-faceted, just like my father's journalism career, then Coast Guard, and then jumping into this business. So really, staying curious and learning, they both shared that, I really got that from the interviews, always being the student and always leading that life, and then aligning your life with an investing philosophy that you could be true to and that gave your values a place to be. I mean, that long traveling career, in my head, if I could talk to my dad now and if he could have been the cockpit buddy to Mark Mobius and just ditched his family, he loved us very, very much, but it would be hard for him to say no to spending a life on the road doing all those countries and seeing all those people, and just learning and living and eating and just seeing the world through a different lens in a way that I thought was beautiful. So it was so hard to learn of his death, but he lived such a full life, Mark did, I was grateful to be able to dig into the notes, and what we were able to produce in this long form tribute. You may remember in '08 when Sir John passed away, my father spent two or three weeks writing a tribute to Sir John that we ran in the local paper and various places, and so when my father was gone, and Mark has also passed, I'm not the writer my father was, but that's fine, we have tools and I have help and I have friends, we were able to do something that my father would have done in his own way that I hope investors today can read it and appreciate it. And see where we are today with active ETFs doing good things in emerging markets in ways we never opined in those interviews, but also remembering there's some closed-end funds that do it too, you can make use of those through your portfolio if you choose.

CHUCK JAFFE: And let's finish with what I think it's not the last of the lessons, as you laid them out in your piece, but it is the one that I think maybe is the most lasting. It's one that I certainly agree with, but it's one that I hope you'll explain how Mobius embodied it, which is that the world belongs to optimists.

JOHN COLE SCOTT: It is, because if you sit and worry about what's going to go wrong, you'll sit on your hands, you'll never deploy capital, you'll be in T-bills, and after inflation and taxes you won't be a very rich person. And so just the fact that he understood the world was full of risk, but you had to see the opportunity for countries to improve, for people to be lifted up, for middle classes to be formed in the globe is a powerful thing. And one of my favorite last quotes is, "The best way to get rich is to live longer," how Mark Mobius is that?

CHUCK JAFFE: The world belongs to optimists is not something that we hear a lot of these days, there's not a lot of optimism, the world would be a better place with more of it. And again, the strength it takes to say, "Where in the world is there crisis? That's where I'm going to be investing as soon as they can get through it," it's a pretty interesting way to lead an investment portfolio and a life. John, thanks so much for celebrating Mark Mobius with us, we'll talk to you again soon.

JOHN COLE SCOTT: Great to be here, Chuck. Thank you.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe, and I'm Chuck Jaffe, you can learn more about me and my show by going to MoneyLifeShow.com or by searching for us on your favorite podcast app. Now if you want to get more information on closed-end funds, business-development companies, and interval funds, go to AICAlliance.org, it's the website for the Active Investment Company Alliance. Thanks to my guest John Cole Scott, he's president of CEF Advisors in Richmond, Virginia, he's the chairman of the Active Investment Company Alliance, you can learn about the firm and dig into its research for yourself at CEFDData.com, and that's also where you're going to find the piece on Mark Mobius, but again, we have that linked up in today's show notes. The NAVigator podcast is available every Friday, make sure you don't miss any of our episodes by following or subscribing on your favorite podcast app. We'll be back next week with more closed-end fund fun, until then, happy investing, everybody.

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