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The World's Greatest Investors

By **Richard Loth**

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Introduction

Becoming a successful investor takes education, patience and maybe even a little luck.

Historically, the market has returned a solid 12% per year on average. The icons

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we'll present here represent the pinnacle of the financial world. Each one has dramatically exceeded market performance. They have all made a fortune off their success and in many cases, they've helped millions of others achieve similar returns.

These investors differ widely in the strategies and philosophies they applied to their trading; some came up with new and innovative ways to analyze their investments, while others picked securities almost entirely by instinct. Where these investors don't differ is in their ability to consistently beat the market.

Read on to learn more about these outstanding investors and how they made their fortunes.

John (Jack) Bogle

John (Jack) Bogle

Born:	Montclair, New Jersey, in 1929
Affiliations:	• Wellington Management Company • Vanguard Group, Inc. • Vanguard Group's Bogle Financial Markets Research Center.
Most Famous For:	Bogle founded the Vanguard Group mutual fund company in 1974 and made it into one of the world's largest and most respected fund sponsors. Bogle pioneered the no-load mutual fund and championed low-cost index investing for millions of investors. He created and introduced the first index fund, Vanguard 500, in 1976. In 1999, *Fortune Magazine* named Bogle one of the four "investment giants" of the twentieth century. (For related reading, see *Index Investing* and

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	The Lowdown On Index Funds.)

Personal Profile
Jack Bogle graduated magna cum laude with a degree in economics from Princeton University in 1951. He studied mutual funds in depth during his university days, which culminated in his senior-year economics thesis and laid the conceptual groundwork for the index mutual fund.

He learned the investment management business by working for financial advisor Wellington Management from 1951 to 1974 and founded Vanguard in the latter year, becoming its CEO and chairman before retiring in 1999 from an active role in the company. As president of Vanguard's Bogle Financial Markets Research Center, he continues to write and lecture on investment issues and is widely recognized as "the conscience" of the mutual fund industry. (For more insight, see *Mutual Fund Basics* and *Picking The Right Mutual Fund*.)

In "The Vanguard Experiment: John Bogle's Quest to Transform the Mutual Fund Industry" (1996), biographer Robert Slater describes Bogle's life as "evolutionary, iconoclastic and uncompromisingly committed to his founding principles of putting the interests of the investor first and constructively criticizing the fund industry for practices that run counter to low-cost, client-oriented mutual fund investing."

Investment Style
In simple terms, Jack Bogle's investing philosophy advocates capturing market returns by investing in broad-based index mutual funds that are characterized as no-load, low-cost, low-turnover and passively managed. He has consistently recommended that individual investors focus on the following themes:

- The primacy of investing simplicity
- Minimizing investment-related costs and expenses
- The productive economics of a long-term investment horizon
- A reliance on rational analysis and an avoidance of emotions in the investment decision-making process
- The universality of index investing as an appropriate strategy for individual investors

Super stock trader Jim Cramer (TheStreet.com and CNBC's "Mad Money") pays Bogle's investment style the ultimate compliment by going on record as saying that "After a lifetime of picking stocks, I have to admit that Bogle's arguments in favor of the index fund have me thinking of joining him rather than trying to beat him." (To read more about Jim Cramer, see *Mad Money … Mad Market?*)

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Publications

- "Bogle On Mutual Funds" by John C. Bogle (1994)
- "Common Sense On Mutual Funds: New Imperatives For The Intelligent Investor" by John C. Bogle (1999)
- "John Bogle On Investing: The First 50 Years" by John C. Bogle (2000)
- "The Little Book Of Common Sense Investing: The Only Way To Guarantee Your Fair Share Of Stock Market Returns" by John C. Bogle (2007)
- "The Vanguard Experiment: John Bogle's Quest To Transform The Mutual Fund Industry" by Robert Slater (1996)

Bogle Quotes:

"Time is your friend; impulse is your enemy."

"If you have trouble imaging a 20% loss in the stock market, you shouldn't be in stocks."

"When reward is at its pinnacle, risk is near at hand."

Warren Buffett

Warren Buffett

Born:	Omaha, Nebraska, in 1930
Affiliations:	• Buffett-Falk & Company • Graham-Newman Corporation • Buffett Partnership, Ltd.

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	• Berkshire Hathaway, Inc.
Most Famous For:	Referred to as the "Sage" or "Oracle" of Omaha, Warren Buffett is widely viewed as one of the most successful investors in history. Following the principles set out by Benjamin Graham, he has amassed a personal multibillion dollar fortune mainly through investing in stocks and buying companies through Berkshire Hathaway. Shareholders in Berkshire Hathaway who invested $10,000 in the company in 1965 are above the $50 million mark today. Now in his 70s, Buffett has yet to write a single book, but among investment professionals and the investing public, there is no more respected voice. (To learn more, read *Warren Buffett: How He Does It* and *What Is Warren Buffett's Investing Style?*) In 2006, Buffett announced that he would pledge much of his reported $44 billion in stock holdings to the Bill and Melinda Gates Foundation ($31 billion) and four other charities ($6 billion) started by members of his family. (For more insight, see *The Christmas Saints Of Wall Street*.)

Personal Profile
Warren Buffett graduated from the University of Nebraska in 1950 with a Bachelor of Science degree. After reading "The Intelligent Investor" by Benjamin Graham, he wanted to study under Graham, and did so at Columbia University, obtaining his Master of Science degree in business in 1951.

He then returned to Omaha and formed the investment firm of Buffett-Falk & Company, and worked as an investment salesman from 1951 to 1954. During this time, Buffett developed a close relationship with Graham, who was generous with his time and thoughts. This interaction between the former professor and student eventually landed Buffett a job with Graham's New York firm, Graham-Newman Corporation, where he worked as a security analyst from 1954 to 1956. These two years of working side-by-side with Graham and analyzing hundreds of companies were instructive years that formed the foundation for Buffett's approach to successful stock investing.

Wanting to work independently, Buffett returned home once again to Omaha and started a family investment partnership at age 25 with a starting capital base of

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$100,000. From 1956 to 1969, when the Buffett partnership was dissolved, investors, including Buffett, experienced a thirty-fold gain in their value per share. Prior to the final decision to liquidate the partnership, Buffett had acquired the unprofitable Berkshire Hathaway textile company in New Bedford, Massachusetts, in 1965. After acquiring Berkshire, Buffett effected a successful turnaround of the company, which focused on changing the company's financial framework. Berkshire kept its textile business, even in the face of mounting pressures, but also used the company as a holding company for other investments.

It was in the 1973-74 market collapse that Berkshire got the opportunity to purchase other companies at bargain prices. Buffett went on a buying spree, which included an investment in *The Washington Post*. The rest is history and today, Berkshire Hathaway is a massive holdings company for a variety of businesses with assets and sales totaling, approximately, $240 billion and $100 billion, respectively, for year-end 2006.

Investment Style

Warren Buffett's investing style of discipline, patience and value has consistently outperformed the market for decades.

John Train, author of "The Money Masters"(1980), provides us with a succinct description of Buffett's investment approach: "The essence of Warren's thinking is that the business world is divided into a tiny number of wonderful businesses – well worth investing in at a price – and a large number of bad or mediocre businesses that are not attractive as long-term investments. Most of the time, most businesses are not worth what they are selling for, but on rare occasions the wonderful businesses are almost given away. When that happens, buy boldly, paying no attention to current gloomy economic and stock market forecasts."

Buffett's criteria for "wonderful businesses" include, among others, the following:

- They have a good return on capital without a lot of debt.
- They are understandable.
- They see their profits in cash flow.
- They have strong franchises and, therefore, freedom to price.
- They don't take a genius to run.
- Their earnings are predictable.
- The management is owner-oriented.

Publications

Buffett has not, as yet, authored any books. However, his annual letters to the

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shareholders in Berkshire Hathaway's annual report are a suitable substitute. Back copies of these 20-page masterpieces of investing wisdom are available from 1977 through 2006 (updated annually) from Berkshire's Website.

- "Buffett: The Making of an American Capitalist" by Roger Lowenstein (1996).
- "Warren Buffett Speaks: Wit And Wisdom From The World's Greatest Investor" (1997)
- "The Warren Buffett Way" by Robert G. Hagstrom (2005)

Quotes

"Rule No.1 is never lose money. Rule No.2 is never forget rule number one."

"Shares are not mere pieces of paper. They represent part ownership of a business. So, when contemplating an investment, think like a prospective owner."

"All there is to investing is picking good stocks at good times and staying with them as long as they remain good companies."

"Look at market fluctuations as your friend rather than your enemy. Profit from folly rather than participate in it."

"If, when making a stock investment, you're not considering holding it at least ten years, don't waste more than ten minutes considering it."

David Dreman

David Dreman

Born:	Winnipeg, Manitoba, Canada in 1936

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Affiliations:	- Rauscher Pierce Refsnes Securities Corp. - J&W Seligman - Value Line Investment Service *The Journal of Psychology and Financial Markets* - International Foundation for Research in Experimental Economics (IFREE) - Dreman Value Management, L.L.C
Most Famous For:	David Dreman's name is synonymous with contrarian value investing strategies. His first book, "Contrarian Investment Strategy: The Psychology of Stock Market Success" (1980) is an investment classic. He has authored numerous scholarly investment articles in the *Journal of Investing*, *Financial Analysts' Journal* and *The Journal of Financial* Behavior. Dreman has also written the highly respected "The Contrarian" column in *Forbes* magazine for some 22 years.

Personal Profile
David Dreman graduated from the University of Manitoba (Canada) in 1958. After graduating, he worked as director of research for Rauscher Pierce, senor investment officer with Seligman, and senior editor of the Value Line Investment Service. In 1977, he founded his first investment firm, Dreman Value Management, Inc., and has served as its president and chairman.

Investment Style
It is reported that Dreman came to contrarian investing the hard way. In 1969, Dreman, a junior analyst at the time, was following the crowd as the shares of companies with negligible earnings skyrocketed. He is quoted as saying, "I invested in the stocks du jour and lost 75% of my net worth." As a result of that painful lesson of following the herd, he became fascinated with how psychology affects investor behavior and became a contrarian investor. (For related reading, see *Finding Profit In Troubled Stocks*.)

In an interview for *Kiplinger's Personal Finance Magazine* in 2001he explained his approach: "I buy stocks when they are battered. I am strict with my discipline. I always buy stocks with low price-earnings ratios, low price-to-book value ratios and higher-than-average yield. Academic studies have shown that a strategy of buying out-of-favor stocks with low P/E, price-to-book and price-to-cash flow ratios outperforms the market pretty consistently over long periods of time."

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Publications

- "Contrarian Investment Strategy: The Psychology of Stock Market Success" by David Dreman (1980)
- "The New Contrarian Investment Strategy" by David Dreman (1982)
- "Contrarian Investment Strategies: The Next Generation by David Dreman (1998)

Quotes

"Psychology is probably the most important factor in the market – and one that is least understood."

"*I paraphrase Lord Rothschild: 'The time to buy is when there's blood on the streets.'"*

"One of the big problems with growth investing is that we can't estimate earnings very well. I really want to buy growth at value prices. I always look at trailing earnings when I judge stocks."

"If you have good stocks and you really know them, you'll make money if you're patient over three years or more."

Philip Fisher

Philip A. Fisher

Born:	San Francisco, California in 1907; Died 2004

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Affiliations:	• Fisher & Company
Most Famous For:	Philip Fisher was one of the most influential investors of all time. His investment philosophies, recorded in his investment classic, "Common Stocks and Uncommon Profits" (1958) are still relevant today and are widely studied and applied by investment professionals. It was the first investment book ever to make the *New York Times* bestseller list. Fisher's son, Kenneth L. Fisher, wrote a eulogy for his father in his regular column in *Forbes* magazine (March 11, 2004): "Among the pioneer, formative thinkers in the growth stock school of investing, he may have been the last professional witnessing the 1929 crash to go on to become a big name. His career spanned 74 years, but was more diverse than growth stock picking. He did early venture capital and private equity, advised chief executives, wrote and taught. He had an impact. For decades, big names in investing claimed Dad as a mentor, role model and inspiration."

Personal Profile
Philip Fisher's career began in 1928 when he dropped out of the newly created Stanford Business School to work as a securities analyst with the Anglo-London Bank in San Francisco. He switched to a stock exchange firm for a short time before starting his own money management business as Fisher & Company in 1931. He managed the company's affairs until his retirement in 1999 at the age of 91, and is reported to have made his clients extraordinary investment gains.

Although he began some fifty years before the name Silicon Valley became known, he specialized in innovative companies driven by research and development. He practiced long-term investing, and strove to buy great companies at reasonable prices. He was a very private person, giving few interviews, and was very selective about the clients he took on. He was not well-known to the public until he published his first book in 1958.

Investment Style
Fisher achieved an excellent record during his 70 plus years of money management by investing in well-managed, high-quality growth companies, which he held for the long term. For example, he bought Motorola stock in 1955 and didn't sell it until his death in 2004.

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His famous "fifteen points to look for in a common stock" were divided up between two categories: management's qualities and the characteristics of the business. Important qualities for management included integrity, conservative accounting, accessibility and good long-term outlook, openness to change, excellent financial controls, and good personnel policies.

Important business characteristics would include a growth orientation, high profit margins, high return on capital, a commitment to research and development, superior sales organization, leading industry position and proprietary products or services.

Philip Fisher searched far and wide for information on a company. A seemingly simplistic tool, what he called "scuttlebutt," or the "business grapevine," was his technique of choice.

He devotes a considerable amount of commentary to this topic in "Common Stocks And Uncommon Profits". He was superb at networking and used all the contacts he could muster to gather information and perspective on a company. He considered this method of researching a company to be extremely valuable.

Publications

- "Common Stocks And Uncommon Profits" by Phillip A. Fisher(1958)
- "Conservative Investors Sleep Well" by Phillip A. Fisher (1975)
- "Developing An Investment Philosophy" by Philip A. Fisher (1980)

Quotes

"I don't want a lot of good investments; I want a few outstanding ones."

"I remember my sense of shock some half-dozen years ago when I read a [stock] recommendation to sell shares of a company . . . The recommendation was not based on any long-term fundamentals. Rather, it was that over the next six months the funds could be employed more profitably elsewhere."

"I sought out Phil Fisher after reading his "Common Stocks and Uncommon Profits". When I met him, I was impressed by the man and his ideas. A thorough understanding of a business, by using Phil's techniques … enables one to make intelligent investment commitments." (Warren Buffett)

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Benjamin Graham

Benjamin Graham

Born:	London in 1894; Died 1976
Affiliations:	• Newburger, Henderson & Loeb • Graham-Newman Corporation
Most Famous For:	Ben Graham excelled as an investment manager and financial educator. He authored, among others, two investment classics of unparalleled importance. He is also universally recognized as the father of two fundamental investment disciplines – security analysis and value investing. His two seminal books, "Security Analysis" (1934), written with David Dodd, and "TheIntelligent Investor" (1949) are considered by many investment professionals to be the best books ever written for stock investors. Both of these books have never been out of print and are still used as texts for university-level courses on investing. (For more insight, see *Investing Books It Pays To Read* and *Financial Wisdom From Three Wise Men*.) John Train, in his investment classic, "The Money Masters" (1980), cites Graham's brilliance and influence as such: "Benjamin Graham ranks as this century's (and perhaps history's) most important thinker on applied portfolio investment, taking it from an art, based on impressions, inside information, flair, to a proto-science, an orderly discipline. He applied great astuteness, hard experience, and infinitely detailed

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	labor to a field full of superstition, tips and guesswork, one in which most people who have something to say also have an incentive to deceive the listener." He is also famous for being a teacher and mentor for Warren Buffet as well as for other well-known investors.

Personal Profile
Benjamin Graham came to the United States as a one-year-old immigrant from England in 1895. He grew up in Manhattan and Brooklyn, New York. His father died when he was nine years old and the family's hard times, economically speaking, left Graham with a lifetime preoccupation with achieving financial security.

He graduated from Columbia University in 1914 and went to work immediately for a Wall Street firm, Newburger, Henderson & Loeb, as a messenger. By 1920, he was a partner in the firm.

In 1926, Graham formed an investment partnership with Jerome Newman and started lecturing at Columbia on finance, an endeavor which lasted until his retirement in 1956. It is reported that Graham was wiped out personally in the stock market crash of 1929, but the investment partnership survived and gradually recouped its position. (For more insight, see *The Greatest Market Crashes*.)

Ben Graham learned some valuable lessons from this experience and, in 1934, co-authored a hefty textbook titled "Security Analysis", which is widely considered an investment classic. The Graham-Newman partnership prospered, boasting an average annual return of 17% until its termination in 1956.

Investment Style
Morningstar's online Interactive Classroom carries this anecdote about the results of Ben Graham's investing style:

"In 1984, [Warren] Buffet returned to Columbia to give a speech commemorating the fiftieth anniversary of the publication of "Security Analysis". During that speech, he presented his own investment record as well as those of Ruane, Knapp, and Schloss [other successful investment managers who were students of Graham at Columbia]. In short, each of these men posted investment results that blew away the returns of the overall market. Buffett noted that each of the portfolios varied greatly in the number and type of stocks, but what did not vary was the managers' adherence to Graham's investment principles."

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It is difficult to encapsulate Benjamin Graham's investing style in a few sentences or paragraphs. Readers are strongly urged to refer to his "The Intelligent Investor" to obtain a more thorough understanding of his investment principles.

In brief, the essence of Graham's value investing is that any investment should be worth substantially more than an investor has to pay for it. He believed in thorough analysis, which we would call fundamental analysis. He sought out companies with strong balance sheets, or those with little debt, above-average profit margins, and ample cash flow. (For more insight, see *Introduction To Fundamental Analysis* and *Testing Balance Sheet Strength*.)

He coined the phrase "margin of safety" to explain his common-sense formula that seeks out undervalued companies whose stock prices are temporarily down, but whose fundamentals, for the long run, are sound. The margin of safety on any investment is the difference between its purchase price and its intrinsic value. The larger this difference is (purchase price below intrinsic), the more attractive the investment - both from a safety and return perspective - becomes. The investment community commonly refers to these circumstances as low value multiple stocks (P/E, P/B, P/S).

Graham also believed that market valuations (stock prices) are often wrong. He used his famous "Mr. Market" parable to highlight a simple truth: stock prices will fluctuate substantially in value. His philosophy was that this feature of the market offers smart investors "an opportunity to buy wisely when prices fall sharply and to sell wisely when they advance a great deal."

Publications

- "Security Analysis" (1934) by Benjamin Graham and David Dodd
- "The Intelligent Investor" by Benjamin Graham (1949)
- "Benjamin Graham: The Memoirs Of The Dean Of Wall Street" by Benjamin Graham and Seymour Chatman (editor) (1996)
- "Benjamin Graham On Value Investing: Lessons From The Dean Of Wall Street" by Janet Lowe (1999)

Quotes

"To achieve satisfactory investment results is easier than most people realize; to achieve superior results is harder than it looks."

" Most of the time stocks are subject to irrational and excessive price fluctuations in both directions as the consequence of the ingrained tendency of most people

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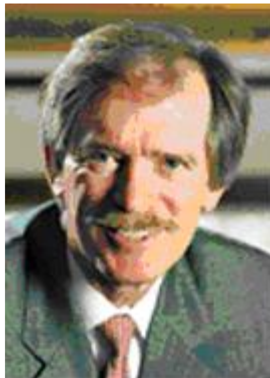
to speculate or gamble … to give way to hope, fear and greed."

"Even the intelligent investor is likely to need considerable willpower to keep from following the crowd."

"It is absurd to think that the general public can ever make money out of market forecasts."

"It is rare that the founder of a discipline does not find his work eclipsed in rather short order by successors. But for over forty years after publication of the book ["Security Analysis"] that brought structure and logic to a disorderly and confused activity, it is difficult to think of possible candidates for even the runner-up position in the field of security analysis." (Warren Buffet, *Financial Analyst Journal,* November/December 1976)

William H. Gross



Bill Gross

Born:	Middletown, Ohio, in 1944
Affiliations:	• Pacific Mutual Life Insurance Company • Pacific Investment Management Company (PIMCO)
Most Famous For:	Considered the "king of bonds," Bill Gross is the world's leading bond fund manager. As the founder and managing director of the PIMCO family of bond funds, he and his team of bond professionals have more than $600 billion in fixed-income assets under management.

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	In 1996, he was the first portfolio manager inducted into the Fixed-Income Analyst Society Inc. (FIASI) hall of fame for his major contributions to the advancement of bond and portfolio analysis. Among other investing traits, Gross is famous for his ability to change directions without hesitation in response to changes in the markets. In July 2005, SmartMoney.com's Nicole Bullock observed that "Gross doesn't adjust to market conditions – he changes them! His views on the bond market are widely followed by professional investors and the investing public worldwide."

Personal Profile
Gross is a Duke University graduate with a degree in psychology (1966). Part of his "informal" education included spending a summer playing professional blackjack in Las Vegas. After graduation, he served as a naval officer on a destroyer off the coast of Vietnam.

After the military, Gross headed for business school and obtained his MBA in 1971 from the University of California, Los Angeles. He received his Certified Financial Analyst (CFA) credentials while working as an investment analyst with Pacific Mutual Life in Los Angeles from 1971 to 1976.

His last assignment at Pacific Mutual from 1976 to 1978 was as an Assistant Vice President managing fixed income securities. Gross founded, and has been the managing director and chief investment officer, for Pacific Investment Management Company (PIMCO), the world's largest fixed-income management firm, since its inception in 1982.

Investment Style
In an October, 2005, commentary piece, MarketThoughts.com editor, Henry K. To wrote that Bill Gross "believes that successful investment in the long-run (whether in bonds or equities) rests on two foundations: the ability to formulate and articulate a secular [long-term] outlook and having the correct structural composition within one's portfolio over time."

Gross describes these foundations as having a three- to five-year forecast that forces an investor to think long term and to avoid the destructive "emotional whipsaws of fear and greed." He clearly states that "such emotions can convince any investor or management firm to do exactly the wrong thing during irrational periods in the market." (For related reading, check out *When Fear And Greed Take Over* and *Mastering Your Trading Mindtraps*.)

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Secondly, he argues that "those who fail to recognize the structural elements of the investment equation [asset allocation, diversification, risk-return measurements and investing costs] will leave far more chips on the table for other more astute investors to scoop up than they could ever imagine."

Publications

- "Bill Gross On Investing"by William H. Gross (1998)
- "Everything You've Heard About Investing Is Wrong!: How To Profit In The Coming Post-Bull Markets" by William H. Gross(1997).
- "Bond King: Investment Secrets From PIMC's Bill Gross" by Timothy Middleton,(2004).

Quotes

"Finding the best person or the best organization to invest your money is one of the most important financial decisions you'll ever make."

"Do you really like a particular stock? Put 10% or so of your portfolio on it. Make the idea count … Good [investment] ideas should not be diversified away into meaningless oblivion."

*"The genius of Bill Gross, from the gaming tables to the high-tech world of bond trading, is his knowing, quantifying and playing risk." (*Timothy Middleton, "The Bond King")

"Bill often has been characterized as the Peter Lynch of the bond markets. But based on his longevity … and the size of his assets under management … it would be more appropriate to characterize Peter Lynch as the Bill Gross of the equity markets." (Jack Malvey, Lehman Brothers, 1996)

Carl Icahn

Born:	New York City, in 1936
Affiliations:	• Icahn & Company (securities firm) • Icahn Enterprises L.P. (NYSE:IEP) • Icahn Partners (hedge fund) • Controlling ownership positions in several major

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	corporations • Carl C. Icahn Center for Science at Princeton University
Most Famous For:	The "Icahn Lift." This is the Wall Street catchphrase that describes the upward bounce in a company's stock price that typically happens when Carl Icahn starts buying the stock of a company he believes is poorly managed. Since the mid-1980s, Icahn has had titanic battles with multiple U. S. corporations resulting, most of the time, in significant capital gains for these companies' shareholders and, of course, making Icahn a multibillionaire, whom Forbes ranked as the 46th richest in the world in 2008. Icahn is viewed either as one of history's most ruthless corporate raiders or as a positive force for increased shareholder activism, who seeks to correct the abuses of greedy and/or incompetent corporate management. (For insight on this, read *Your Vote May Change Corporate Policy*.)

Personal Profile
Icahn grew up in a middle-class family in the Far Rockaway section of Queens in New York City. He went to Princeton University on a scholarship and graduated in 1957 with a degree in philosophy. He attended New York University's School of Medicine, but dropped out before graduation, reportedly because he didn't like corpses.

He took an entry level stockbroker's job in New York with Dreyfus & Company in 1961. Seven years later, he bought a seat on the New York Stock Exchange and began his finance career, mostly trading options. However, it didn't take long for Icahn to develop into an activist, pugnacious investor and to begin using ownership positions in publicly held companies to force changes to increase the value of his shares. (For related reading, see *Why is membership in the NYSE known as "owning a seat"?*)

Icahn started his corporate raiding activities in earnest in the late 1970s and hit the big leagues with his hostile takeover of TWA in 1985. He was known as an extremely tough negotiator and a clever strategist, whose persistence and personality quirks often distracted his opponents. A string of corporate battles

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included such names as RJR Nabisco, Texaco, Phillips Petroleum, Western Union, Gulf & Western, Viacom, Revlon, Kerr-McGee, Time Warner and Motorola.

Because of his substantial fortune, Icahn has become a major philanthropist, particularly with donations to his alma mater, Princeton University. Accordingly, he has been the recipient of a number of civic awards for his work and contributions to public health, medical research and education charities in the New York area. (See *The Christmas Saints Of Wall Street* for more philanthropic financiers.)

Nevertheless, he is still an active financier. *Time Magazine* interviewed Icahn on the occasion of his 71st birthday in February 2007. When he was asked about retirement, he answered, "Well, a number of CEOs have offered to host my retirement party. But I'm just a competitive guy that grew up in Queens. I can't see myself spending the rest of my life in Florida playing golf."

It's reported that Icahn has built a team of two dozen associates to help him find targets and mount his corporate crusades and will likely continue to pursue his investor activism.

Investment Style

Renowned investor Wilbur Ross, Icahn's longtime friend and frequent adversary, referred to Icahn in a May 2007 *Fortune Magazine* article as "the most competitive person I know … he's especially good at terrorizing people and wearing down their defenses." For many corporate executives, that pretty much sums up Carl Icahn's business operandi and investing style.

Icahn's strategy involves targeting a company he thinks is poorly run and whose stock price is trading below value. He thrives when the markets are on a downtrend; when everyone else is selling, he starts buying. He accumulates enough of an ownership position to lobby for a position on the company's board of directors. Usually his first demand is to dump the CEO and, oftentimes, to consider breaking up the company into separate parts and selling them off. Wall Street professionals say that most of the time he is successful because he's intimidating and relentless. He's viewed as such a surefire moneymaker that investment managers typically start buying up the company's stock, which, whether Icahn is successful or not, leaves him with healthy stock price gains. (For related reading, see *Evaluating The Board Of Directors*.)

A classic example of this phenomenon is Icahn's push in 2006 to oust CEO Richard Parsons and break up Time Warner. It didn't work out that way. When Icahn was asked about his failed attempt in a February 2007 *Time Magazine* interview, Icahn said "… Dick Parsons agreed to do what we wanted most - a

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$20 billion buyback of the stock. He did what he promised, and the stock is up 30%. That helps shareholders. Our [hedge] fund made $250 million. It's a nice way to lose."

So how has Icahn's investment style worked out? A 2007 *Fortune Magazine* profile reported "in its less-than-three-year existence, the Icahn Partners hedge fund has posted annualized gains of 40%; after fees, investors pocketed 28%. That 40% gain trounces the S&P 500's return of around 13%, as well as the 12% for all hedge funds calculated by the HedgeFund.net research firm."

Publications:
"King Icahn" (1993) by Mark Stevens

Icahn Quotes:
"I make money. Nothing wrong with that. That's what I want to do. That's what I'm here to do. That's what I enjoy."

"CEOs are paid for doing a terrible job. If the system wasn't so messed up, guys like me wouldn't make this kind of money."

"When most investors, including the pros, all agree on something, they're usually wrong."

Jesse L. Livermore

Jesse L. Livermore

Born:	South Acton, Massachusetts, in 1877; Died in 1940
Affiliations:	Individual investor
Most Famous For:	Jesse Livermore was a highly visible stock trader and speculator for almost fifty years. He was famous for making and losing several multimillion dollar fortunes during his professional career.

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Personal Profile
In his early teens, Livermore left home to escape a life of farming. He went to Boston and started his long career in stock trading by posting stock quotes for the Paine Webber brokerage firm.

He then began trading for himself and by the age of fifteen, he had reportedly produced gains of over $1,000, which was big money in those days. Over the next several years, he made money betting against the so-called "bucket shops," which didn't handle legitimate trades – customers bet against the house on stock price movements.

He did so well that he was banned from all of the shops in Boston, which prompted his move, at age 20, to New York where his speculative trading successes - and failures - made him a celebrity on Wall Street and around the world. His financial ups and downs finally ended tragically with his suicide death at the age of 63.

Investment Style
Jesse Livermore had no formal education or stock trading experience. He was a self-made man who learned from his winners as well as his losers. It was these successes and failures that helped cement trading ideas that can still be found throughout the market today.

Some of the major principles that he employed include:

- Money is not made in day trading on price fluctuations. Livermore emphasized the importance of focusing on markets as a whole, rather than on individual stocks. He noted that greater success comes from determining the direction of the overall market than attempting to pick the direction of an individual stock without concern for market direction.
- Adopt a buy-and-hold strategy in a bull market and sell when it loses momentum. Livermore always had an exit strategy in place. (To learn more, see *A Look At Exit Strategies*.)
- Study the fundamentals of a company, the market and the economy. Livermore separated successful investors from unsuccessful investors by the level of effort they put into investing.
- Investors who focus on the short term eventually lose their capital.
- Ignore insider information; make your own independent analysis. Livermore was very careful about where he got his information and recommended using multiple sources. (For more insight, see *Can Insiders Help You Make Better Trades?* and *When Insiders Buy, Should Investors Join Them?*)

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- Embrace change in adapting investing strategies to evolving market conditions.

Publications

- "How to Trade in Stocks"by Jesse Livermore (1940)
- "Reminiscences of a Stock Operator" by Edwin Lefevre (1923)
- "Jesse Livermore – Speculator King" by Paul Sarnoff (1985).
- "Trade Like Jesse Livermore" by Richard Smitten(2004).

Quotes

"Profits always take care of themselves but losses never do."

"The average man doesn't wish to be told that it is a bull or a bear market. What he desires is to be told specifically which particular stock to buy or sell. He wants to get something for nothing. He does not wish to work. He doesn't even wish to have to think."

"When it comes to selling stocks, it is plain that nobody can sell unless somebody wants those stocks. If you operate on a large scale, you will have to bear that in mind all the time."

Peter Lynch

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Peter Lynch

Born:	Newton, Massachusetts, in 1944.
Affiliations:	• Fidelity Investments, Inc. • Fidelity Management & Research Company
Most Famous For:	Peter Lynch managed the Fidelity Magellan Fund from 1977 to 1990, during which time the fund's assets grew from $20 million to $14 billion. More importantly, Lynch reportedly beat the S&P 500 Index benchmark in 11 of those 13 years, achieving an annual average return of 29%. He is also famous for several books including, "One Up On Wall Street" (1989) and "Beating The Street" (1993), which are widely considered to be mandatory reading for any investor.

Personal Profile

Lynch graduated from Boston College in 1965 with a degree in finance. He served two years in the military before attending and graduating from the Wharton School at the University of Pennsylvania with a Master of Business Administration in 1968.

He went to work for Fidelity Investments as an investment analyst, eventually becoming the firm's director of research, a position he held from 1974 to 1977. Lynch was named manager of the little known Magellan Fund in 1977 and achieved historic portfolio results in the ensuing years until his retirement in 1990.

In 2007, Peter Lynch was serving as vice-chairman of Fidelity's investment

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adviser, Fidelity Management & Research Co. Since his retirement, he has been an active participant in a variety of philanthropic endeavors.

Investment Style

Often described as a "chameleon," Peter Lynch adapted to whatever investment style worked at the time. It is said that his work schedule, the equivalent of what we would call today "24/7," did not have a beginning and an end. He talked to company executives, investment managers, industry experts and analysts around the clock.

Apart from this punishing work ethic, Lynch did consistently apply a set of eight fundamental principles to his stock selection process. According to an article by Kaushal Majmudar, a CFA at The Ridgewood Group, Lynch shares his checklist with the audience at an investment conference in New York in 2005:

- Know what you own.
- It's futile to predict the economy and interest rates.
- You have plenty of time to identify and recognize exceptional companies.
- Avoid long shots.
- Good management is very important - buy good businesses.
- Be flexible and humble, and learn from mistakes.
- Before you make a purchase, you should be able to explain why you're buying.
- There's always something to worry about.

In picking stocks (good companies), Peter Lynch stuck to what he knew and/or could easily understand. That was a core position for him. He also dedicated himself to a level of due diligence and stock research that left few stones unturned. He shut out market noise and concentrated on a company's fundamentals, using a bottom-up approach. He only invested for the long run and paid little attention to short-term market fluctuations. (For related reading, see *Pick Stocks Like Peter Lynch*.)

Publications

- "One Up On Wall Street" by Peter Lynch with John Rothchild (1989)
- "Beating The Street"Peter Lynch with John Rothchild (1993)
- "Learn To Earn"Peter Lynch with John Rothchild (1996)

Quotes

"Go for a business that any idiot can run – because sooner or later, any idiot is probably going to run it."

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"If you stay half-alert, you can pick the spectacular performers right from your place of business or out of the neighborhood shopping mall, and long before Wall Street discovers them."

"Investing without research is like playing stud poker and never looking at the cards."

"Absent a lot of surprises, stocks are relatively predictable over twenty years. As to whether they're going to be higher or lower in two to three years, you might as well flip a coin to decide."

"If you spend more than 13 minutes analyzing economic and market forecasts, you've wasted 10 minutes."

Bill Miller

Bill Miller

Born:	Laurinburg, North Carolina, in 1950
Affiliations:	• J.E. Baker Company • Legg Mason Capital Management • Santa Fe Institute.
Most Famous For:	Bill Miller is the portfolio manager for the Legg Mason Value Trust (LMVTX) fund, which, under his management, recorded one of the longest "winning streaks" in mutual fund history. Between 1991 and 2005, the fund's total return beat the S&P 500 Index for 15 consecutive years. Miller's fund grew from $750 million in 1990 to more than $20 billion in 2006.

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Personal Profile
Miller graduated from Washington & Lee University in 1972 with a degree in economics. He went to work for the J. E. Baker Co. and became its treasurer. He joined Legg Mason in 1981 and in 2007, was working a chairman and chief investment officer of Legg Mason Capital Management.

He also serves as chairman of the board of trustees of the Santa Fe Institute, a leading center for multidisciplinary research in complex systems theory.

Investment Style
In November of 2006*, Fortune Magazine*'s managing editor, Andy Serwer, characterized Bill Miller's investing style as iconoclastic: "You simply can't do what he's done in the supremely competitive, ultra-efficient world of stock picking by following the pack …The fact is that Miller has spent decades studying freethinking overachievers, and along the way he's become one himself."

Bill Miller is a self-described value investor, but his definition of value investing is somewhat disconcerting to some traditional value investors. Miller believes that any stock can be a value stock if it trades at a discount to its intrinsic value.

Individual investors can learn from Miller's application of this investing principle, which, he says, was the basis for the 15-year benchmark-beating record of the Legg Mason Value Trust fund.

He attributes two factors to this success: exhaustive security analysis and portfolio construction. In his 2006, fourth-quarter letter to the shareholders for Value Trust, Bill Miller explains how these two factors work:

Value investing means really asking what are the best values, and not assuming that because something looks expensive that it is, or assuming that because a stock is down in price and trades at low multiples that it is a bargain … Sometimes growth is cheap and value expensive. . . . The question is not growth or value, but where is the best value … We construct portfolios by using 'factor diversification.' . . . We own a mix of companies whose fundamental valuation factors differ. We have high P/E and low P/E, high price-to-book and low-price-to-book. Most investors tend to be relatively undiversified with respect to these valuation factors, with traditional value investors clustered in low valuations, and growth investors in high valuations … It was in the mid-1990s that we began to create portfolios that had greater factor diversification, which became our strength …We own low PE and we own high PE, but we own them for the same reason: we think they are mispriced. We differ from many value investors in being willing to analyze stocks that look expensive to see if they really are. Most,

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in fact, are, but some are not. To the extent we get that right, we will benefit shareholders and clients.

Publications

- "The Man Who Beats The S&P: Investing With Bill Miller" by Janet Lowe (2002)

Quotes

"I often remind our analysts that 100% of the information you have about a company represents the past, and 100% of a stock's valuation depends on the future."

"The market does reflect the available information, as the professors tell us. But just as the funhouse mirrors don't always accurately reflect your weight, the markets don't always accurately reflect that information. Usually they are too pessimistic when it's bad, and too optimistic when it's good."

"What we try to do is take advantage of errors others make, usually because they are too short-term oriented, or they react to dramatic events, or they overestimate the impact of events, and so on."

John Neff

John Neff
Source: CFA Institute

Born:	Wauseon, Ohio, in 1931
Affiliations:	• National City Bank of Cleveland

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	• Wellington Management Company
Most Famous For:	John Neff's average annual total return from Vanguard's Windsor Fund during his 31-year tenure (1964-1995) as portfolio manager was 13.7%, against a similar return from the S&P 500 Index of 10.6%. He showed a great consistency in topping the market's return by beating the broad market index 22 times during his tenure and was regularly in the top percent of money managers. He was considered the "professional's professional," because many fund managers entrusted their money to him with the belief that it would be in safe hands.

Personal Profile
Neff graduated suma cum laude with a Bachelor of Arts degree from the University of Toledo in 1955. While working as a securities analyst with the National City Bank of Cleveland, where he stayed for eight years, he obtained his Master of Business Administration from Case Western Reserve University in 1958.

He joined the Wellington Management Co. in 1964, becoming the portfolio manager of the Windsor, Gemini and Qualified Dividend funds. He retired in 1995 after more than three decades of spectacular, market-beating investment results. Neff's investing autobiography, "John Neff On Investing*",*was published in 2001.

Investment Style
John Neff did not describe himself as either a value or contrarian investor, preferring instead to characterize his investing approach to one of buying "good companies, in good industries, at low price-to-earnings prices." Despite his value-contrarian investor disclaimer, Neff's investment management career shows a considerable amount of this type of investing strategy.

Neff practiced portfolio concentration over diversification. He pursued stocks of all sizes – large, small, and medium – as long as they evidenced low P/E ratios, which he described as "low P/E investing." Two of Neff's favorite investing tactics were to buy on bad news after a stock had taken a substantial plunge and to take "indirect paths" to buying in to popular industries. This involved, for example, buying manufacturers of drilling pipe that sold to the "hot stock" (too pricey for Neff) oil service companies.

He preached against participating in "adrenaline markets" (momentum driven)

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and preferred face-to-face meetings with a company's management to assess its integrity and effectiveness. For most individual investors, this type of contact is not a realistic possibility; however, using Neff's rigorous fundamental analysis techniques as applied to a company's financials will turn up enough management performance indicators to compensate for the inability to directly interact with a company's managers. (For more insight, see *Evaluating A Company's Management* and *Putting Management Under The Microscope*.)

As noted by Ryan Furman in his July 2006 interview with Neff for the Motley Fool, "most great investors are serious bookworms." John Neff is no exception: "He gained notoriety for taking all of his weekly *Wall Street Journal* copieshome for a second read during the weekend." Furman also reported that Neff reads *Value Line* religiously. Stock investors would be well advised, like Neff, to give these two sources of investing guidance as much attention as possible.

Publications

- "John Neff On Investing" by John Neff and Steven L. Mintz (2001)

Quotes

"It's not always easy to do what's not popular, but that's where you make your money. Buy stocks that look bad to less careful investors and hang on until their real value is recognized."

"I've never bought a stock unless, in my view, it was on sale."

"Successful stocks don't tell you when to sell. When you feel like bragging, it's probably time to sell."

William J. O'Neil

Born:	Oklahoma City, Oklahoma, in 1933
Affiliations:	• Hayden, Stone & Company • William O'Neil & Company, Inc. • O'Neil Data Systems, Inc. • *Investor's Business Daily*
Most Famous For:	Bill O'Neil is a top-performing stock broker, inventor of the growth stock investing strategy, CANSLIM, author

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	and founder of the national financial newspaper, *Investor's Business Daily*, which competes with *The Wall Street Journal*.

Personal Profile
Bill O'Neil majored in business administration at Southern Methodist University, receiving a Bachelor of Arts degree in 1955. After military service, he started his career as a stockbroker with Hayden, Stone & Company in 1958, and developed an investment strategy (CANSLIM), which made him the highest performing broker in his firm.
His professional and financial successes lead him to form a brokerage firm, the William O'Neil & Co., Inc, in 1963. At 30 years old,he became the youngest person to buy a seat on the New York Stock Exchange.

In 1983, he founded a national financial daily newspaper called *Investor's Daily*, which became the *Investor's Business Daily* in 1991. As of 2007, he serves as CEO of William O'Neil & Co., is the chairman and publisher of the *Investor's Business Daily*, and lectures and writes on investment topics nationwide.

Investment Style
O'Neil blends a mixture of quantitative and qualitative strategies in his performance-oriented investing approach. In brief, his investment style is to seek out only those growth stocks that have the greatest potential for swift price rises from the moment they are purchased.

Essentially, Bill O'Neil's motto is "buy the strong, sell the weak." His criteria for identifying a stock that's about to head for the stratosphere are summarized in his well-known acronym CANSLIM:

C – Current quarterly earnings per share have increased sharply from the same quarters' earnings reported in the prior year (at least 25%).

A – Annual earnings increases at a compound rate of no less than 25% (P/E is unimportant – probably in the range of 20 to 45 with these stocks) annually over the last five years.

N – New products, new management, and new highs. Stocks with a good "story."

S – Supply and demand. The less stock available, the more buying will drive up the price. Look for stocks with 10 to 12 million shares outstanding.

L – Leaders and laggards. Stick with those stocks that outperform and shed those that underperform.

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I – Institutional ownership. Favor companies that are "underowned" by the top professional investors. (For related reading, see *Institutional Investors And Fundamentals: What's The Link?*)

M – Market direction. Buy stocks on major downturns, but avoid purchases after a decline of 10% or more gets underway.

Publications

- " How To Make Money In Stocks" by William J. O'Neil(1988).
- "24 Essential Lessons For Investment Success" by William J. O'Neil (1999).
- "The Successful Investor" by William J. O'Neil(2003).

Quotes

"Since the market tends to go in the opposite direction of what the majority of people think, I would say 95% of all these people you hear on TV shows are giving you their personal opinion. And personal opinions are almost always worthless … facts and markets are far more reliable."

"The whole secret to winning and losing in the stock market is to lose the least amount possible when you're not right."

"What seems too high and risky to the majority generally goes higher and what seems low and cheap generally goes lower."

Thomas Rowe Price, Jr.

Thomas Rowe Price, Jr.

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Born:	Linwood, Maryland, in 1898; Died in 1983
Affiliations:	• Mackubin Goodrich & Co. • T. Rowe Price Associates, Inc.
Most Famous For:	Price is considered to be "the father of growth investing." He founded the investment firm T. Rowe Price Associates, Inc.

Personal Profile
Thomas Rowe Price spent his formative years struggling with the Depression, and the lesson he learned was not to stay out of stocks but to embrace them. Price viewed financial markets as cyclical. As a "crowd opposer," he took to investing in good companies for the long term, which was virtually unheard of at this time. His investment philosophy was that investors had to put more focus on individual stock-picking for the long term. Discipline, process consistency and fundamental research became the basis for his successful investing career. .

Price graduated from Swarthmore College with a degree in chemistry in 1919 before discovering that he liked working with numbers better than chemicals. He moved into a career in investments when he started working with the Baltimore-based brokerage firm of Mackubin Goodrich, which today is known as Legg Mason. Price eventually rose to become its chief investment officer.

Over time, Price became frustrated by the fact that "the firm did not fully comprehend his definition of growth stocks," so Price founded T. Rowe Price Associates in 1937. At that time, he defied convention by charging fees based on investments that clients had with the firm, not commissions, and always "putting the client's interests first." Price believed that as his clients prospered, the firm would too.

In 1950, he introduced his first mutual fund, the T. Rowe Price Growth Stock Fund. He was the company's CEO until his retirement in the late 1960s. He eventually sold the company in the early 1970s, but the firm retained his name and, today, one of the nation's premier investment houses.

Investment Style
Thomas Rowe Price's investment management philosophy was based on investment discipline, process consistency and fundamental analysis. He pioneered the methodology of growth investing by focusing on well-managed companies in fertile fields whose earnings and dividends were expected to grow

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faster than inflation and the overall economy. John Train, author of "The Money Masters", says that Price looked for these characteristics in growth companies:

- Superior research to develop products and markets.
- A lack of cutthroat competition.
- A comparative immunity from government regulation.
- Low total labor costs, but well-paid employees.
- At least a 10% return on invested capital, sustained high profit margins, and a superior growth of earnings per share.

Price and his firm became extremely successful employing the growth stock approach to buying stocks. By 1965, he had spent almost thirty years as a growth advocate. At that time, many of his favorite stocks became known in the market as "T. Rowe Price stocks." However, by the late '60s, he had become wary of the market's unquestioning enthusiasm for growth stocks – he felt the time had come for investors to change their orientation. He thought price multiples had become unreasonable and decided that the long bull market was over. This is when he began to sell his interests in T. Rowe Price Associates.

By 1973-1974, what Price's forecast took shape and growth stocks fell hard and fast. Much to Price's dismay, his namesake firm barely managed to survive. Obviously, the term, "irrational exuberance" didn't exist in those days, but its destructive force was well appreciated by Thomas Rowe Price.

Quotes

"It is better to be early than too late in recognizing the passing of one era, the waning of old investment favorites and the advent of a new era affording new opportunities for the investor."

"If we do well for the client, we'll be taken care of."

"Change is the investor's only certainty."

"No one can see ahead three years, let alone five or ten. Competition, new inventions - all kinds of things - can change the situation in twelve months."

Julian Robertson

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Julian Robertson

Born:	Salisbury, North Carolina, in 1933
Affiliations:	• Kidder Peabody • Webster Management Corporation • Tiger Management Group (TMG)
Most Famous For:	Robertson had the best hedge fund record throughout the 1980s and 1990s. It is reported that the compound rate of return to his investors was 32%. During his active years, he was considered to be the "Wizard of Wall Street." His hedge fund, Tiger Management, became the world's largest fund, which peaked at over $23 billion invested. (For related reading, see *A Brief History Of The Hedge Fund*.)

Personal Profile
Robertson graduated from the University of North Carolina with a degree in business administration in 1955. After a stint in the Navy, he joined Kidder, Peabody & Co. in New York in 1957 and, over a twenty year career, became one of the firm's top producing stockbrokers. Subsequently, he became head of Kidder Peabody's money management subsidiary, Webster Management Corporation.

He started on his own, founding the investment/hedge fund firm, Tiger Management Group, in 1980. Year after year of brilliant returns turned a reported $8 million investment in 1980 into $7.2 billion in 1996. During the later part of this period, Robertson was the reigning titan of the world's hedge funds. At his peak, no one could best him for sheer stock-picking acumen. Investors, at a required minimum initial investment of $5 million, flocked into his six hedge funds.

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In the late 1990s, Robertson agonized over the tech-stock craze and, while avoiding what he considered to be "irrational" investing, the TMG funds missed out on any participation on the big gains of the sector. The gradual demise of Tiger from 1998 to 2000, when all its funds were closed, was reflected in the plunge in assets under management from a high of $23 billion to a closing value of $6 billion.

Poor stock picking and large, misplaced bets on risky market trades are usually cited as the cause of Robertson's downfall. However, it is felt by many objective observers that high-level executive defections from TMG's management, as well as Robertson's autocratic managerial style and notorious temper, eventually took their toll on the firm's performance.

While continuing to manage his own investments, Robertson retired from the hedge fund business. He is active in philanthropy and supporting the resolution of environmental issues.

Investment Style
Realistically speaking, there is very little the average investor can use with regard to Robertson's approach to investing. It was highly personal. In TMG, Robertson would get input from his analysts and make all the investment decisions.

It is said that Robertson was a macro trader, and often rode worldwide trends. He argued against using fundamentals, a position that well might have led to the poor performance and liquidation of his Tiger funds in 2000.

His investment style, about which there is very little written, consisted of a "smart idea, grounded on exhaustive research, followed by a big bet." Not exactly a practical framework that would work for the general investing public.

Robertson's highly individualized approach served him well for a time, but when the end came, it was abrupt - a not unfamiliar phenomenon in the world of hedge fund investing. (For related reading, check out *Losing The Amaranth Gamble*.)

Publications

- "Julian Robertson: A Tiger in the Land Of Bulls And Bears" by Daniel A. Strackman (2004).

Quotes

"*Our mandate is to find the 200 best companies in the world and invest in them, and find the 200 worst companies in the world and go short on them. If the 200*

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best don't do better than the 200 worst, you should probably be in another business."

"When Robertson is convinced that he is right," a former Tiger executive notes, "Julian bets the farm."

"Hear a [stock] story, analyze and buy aggressively if it feels right."

James D. Slater

Born:	U.K., in 1929
Affiliations:	• Leyland Motor Corporation • Slater Walker Securities • BioProjects International PLC • Galahad Gold PLC
Most Famous For:	The author of an investment column in London's *The Sunday Telegraph* under the pen name of "The Capitalist," which became a forum for publicizing his personal stock investment methodology. His strategies were one of the first to be made widely available to the investing public in the U.K. Jim Slater is credited with inventing the price-earnings to earnings-growth ratio (PEG) and popularizing its use in America through his book, "The Zulu Principle" (1992). (To learn more, read *Move Over P/E, Make Way For The PEG* and *How The PEG Ratio Can Help Investors*.)

Personal Profile
Slater began his career as a chartered accountant and then moved into corporate managerial positions from 1953 to 1963 with three different U.K. manufacturing firms, the last of which was the prominent Leyland Motor Corporation. In 1964, he and Peter Walker founded an investment company called Slater Walker Securities. Through this firm, Slater became famous as a major player in the U.K. in aggressive corporate takeovers, building Slater Walker into a significant industrial and financial conglomerate, which, in 1969,

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evolved into an investment bank.

Unfortunately for Slater, his successful career in investment banking came to an abrupt end with the collapse of Slater Walker Securities during the U.K.'s 1973-74 recession, leaving Slater personally bankrupt.

He fought his way back to solvency through private investing and launched a career as a financial writer. His widely read investment column, "The Capitalist," and an extremely popular investment advisory service called "Company REFS," which provided "really essential financial statistics" on all publicly traded U.K. companies, positioned Slater as an investment guru.

He became known as one of his country's most successful professional investors. A parallel career as an educator of individual investors and as an author of children's books flourished. In 2007, he remained active today as a major investor in a variety of small, growth-oriented companies.

Investment Style

The stock picking strategy that Slater employed developed from the columns he wrote under the pseudonym "Capitalist" in London's *Sunday Telegraph*, and which subsequently formed the basis for his "Zulu Principle" of investing. Slater's favored type of investment was the small growth company that was undervalued by the market - a so-called hidden gem. At the core of his methodology is his focus on finding small growth stocks before they hit the big time.

The main tool, which Slater invented and popularized to find this type of stock, was his pioneering price-earnings to growth ratio, or PEG. This equation combines growth and value investing. The formula compares a company's price-earnings ratio with its expected, or estimated, earnings per share growth rate.

Slater realized that a P/E ratio didn't mean that a stock was expensive as long as its earnings growth was high. For example, if company's stock was at a relatively high P/E of 30, but its earnings were expected to grow at a rate of 30%, it would have a PEG of 1, which is generally considered a very favorable value relationship. Slater pioneered the use of the PEG ratio, which today is widely used in investment analysis.

Publications

- "Investment Made Easy" by Jim Slater(1995)
- "The Zulu Principle: Making Extraordinary Profits from Ordinary Shares" by Jim Slater (1992).
- "Beyond The Zulu Principle: Extraordinary Profits From Growth Shares" by Jim Slater(2000)

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- "How To Become A Millionaire" by Jim Slater(2000).
- "Make Money While You Sleep" by Jim Slater (2002).

Quotes

"*Most leading brokers cannot spare the time and money to research smaller stocks. You are therefore more likely to find a bargain in this relatively under-exploited area of the stock market."*

Highlighting what Slater thought was the inherent greater potential for the growth of smaller companies, he said, "I once compared a very large company with an elephant by making the comment that elephants don't gallop."

"You get out of an investment what you put into it, so the first decision you have to make is how much time you are prepared to devote to the initial task of acquiring a basic knowledge of investment.

George Soros

George Soros

Born:	Budapest, Hungary, in 1930
Affiliations:	• F.M. Mayer • Wertheim & Company • Arnhold & S. Bleichroeder • Soros Fund Management
Most Famous For:	George Soros gained international notoriety when, in September of 1992, he risked $10 billion on a single currency speculation when he shorted the British

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	pound. He turned out to be right, and in a single day the trade generated a profit of $1 billion – ultimately, it was reported that his profit on the transaction almost reached $2 billion. As a result, he is famously known as the "the man who broke the Bank of England." Soros is also famous for running the Quantum Fund, which generated an average annual return of more than 30% while he was at the helm. Along with the famous pound trade, Soros was also cited by some as the "trigger" behind the Asian financial crisis in 1997, as he had a large bet against the Thai baht. He is also widely known for his political activism and philanthropic efforts.

Personal Profile
Soros fled Hungary in 1947 for England, where he graduated from the London School of Economics in 1952 and then obtained an entry-level position with an investment bank in London. In 1956, he immigrated to the United States and held analyst and investment management positions at the New York firms of F.M. Mayer (1956-59), Wertheim & Co. (1959-63) and Arnhold & S. Bleichroeder (1963-73).

Soros went off on his own in 1973, founding the hedge fund company of Soros Fund Management, which eventually evolved into the well-known and respected Quantum Fund. For almost two decades, he ran this aggressive and successful hedge fund, reportedly racking up returns in excess of 30% per year and, on two occasions, posting annual returns of more than 100%. (For related reading, see *Introduction To Hedge Funds - Part 1* and *Part 2*.)

In the late 1980s, he gave up the day-to-day management of the Quantum Fund and, as one of the wealthiest people in the world, became a substantial philanthropist, donating huge sums worldwide through his Open Society Foundation.

In recent years, political activism has also become important to Soros. He has written and lectured extensively on the role of the U.S. in world affairs as well as issues dealing with, among others, human rights, political freedom and education.

When Soros was offered an honorary degree from Oxford University and was asked how he wanted to be described, he is quoted as saying: "I would like to be called a financial, philanthropic and philosophical speculator." This surely sums

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up the life of George Soros, particularly if the adjectival phrase "very successful" is added to the description.

Investment Style

George Soros was a master at translating broad-brush economic trends into highly leveraged, killer plays in bonds and currencies. As an investor, Soros was a short-term speculator, making huge bets on the directions of financial markets. He believed that financial markets can best be described as chaotic. The prices of securities and currencies depend on human beings, or the traders - both professional and non-professional - who buy and sell these assets. These persons often act out based on emotion, rather than logical considerations. (For more insight, see *Understanding Investor Behavior*.)

He also believed that market participants influenced one another and moved in herds. He said that most of the time he moved with the herd, but always watched for an opportunity to get out in front and "make a killing." How could he tell when the time was right? Soros has said that he would have an instinctive physical reaction about when to buy and sell, making is strategy a difficult model to emulate.

When he fully retired in 2000, he had spent almost 20 years speculating with billions of other people's money, making him - and them - very wealthy through his highly successful Quantum Fund. He made some mistakes along the way, but his net results made him one of the world's wealthiest investors in history.

Publications

- "The Alchemy Of Finance" by George Soros (1988)
- "Soros On Soros: Staying Ahead Of The Curve" by George Soros(1995)
- "Open Society: Reforming Global Capitalism" by George Soros(2001)
- "The Bubble Of American Supremacy: Correcting The Misuse Of American Power"by George Soros(2003)
- "Soros: The Life And Times Of A Messianic Billionaire" by Michael Kaufman(2002)

Quotes

"*It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong."*

"I rely a great deal on animal instincts."

"Playing by the rules, one does the best he can, irrespective of the social

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consequences. Whereas in making the rules, people ought to be concerned with the social consequences and not with their personal interests."

"George opened all of our thinking to macroeconomic theory, and he made globalists of us all by making us understand the importance of geopolitical events on the U.S. economy." (Byron Wien, Morgan Stanley)

Michael Steinhardt

Michael Steinhardt

Born:	Mount Kisco, New York, in 1941
Affiliations:	• Calvin Bullock • Loab Rhoades & Co • Steinhardt Partners
Most Famous For:	Steinhardt Partners achieved a performance track record that still stands out on Wall Street: 24% compound average annual returns – more than double the S&P 500 – over a 28-year period. What's more amazing is that Steinhardt accomplished this record with stocks, bonds, long and short options, currencies and time horizons ranging from 30 minutes to 30 days. There were few investment instruments over which Michael Steinhardt did not wield some mastery.

Personal Profile
As a teenager, Michael Steinhardt was reading stock charts and hanging around brokerage offices. He finished high school at age 16 and flew through the Wharton School of Finance in three years, graduating in 1960.

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He began his career on Wall Street in research and analyst positions with mutual fund company Calvin Bullock and the brokerage firm of Loab Rhoades & Co. In 1967, Steinhardt, along with two other rising stars in the investment field, Howard Berkowitz and Jerrold Fine, formed a hedge fund company based in New York, which they named Steinhardt, Fine, Berkowitz & Co. Under Steinhardt's direction, the firm was consistently successful in identifying macro market moves and then fitting its securities trading strategies into these situations. In 1979, Berkowitz and Fine left the partnership, which was then renamed as Steinhardt Partners.

Steinhardt's spectacular career ended in 1995 when he decided to close the business with his fortune and reputation intact after his fund gained 21% in its last year. This was a year removed from the tough loss that he suffered in 1994, when interest rates moved against him, which produced a 30% loss for his fund. (For more insight, see *How Interest Rates Affect The Stock Market*.)

He then turned to philanthropic activities and served as a board member for institutions such as New York University, University of Pennsylvania and Brandeis University. He has also served on the board of Wisdom Tree Investments, a New York-based asset management firm that sponsors exchange-traded funds.

Investment Style
Steinhardt had a long-term investor's perspective but, for the most part, invested as a short-term strategic trader. He bet on directional moves using an eclectic mix of securities and was backed up by a team of traders and analysts. As mentioned above, he emphasized macro asset allocation type moves from which he harvested his gains. Charles Kirk, publisher of *The Kirk Report*, gleaned these "rules of investing" from a Steinhardt speech back in June, 2004, which show that even a high-flying hedge fund investor needs to be grounded:

- Make all your mistakes early in life. The more tough lessons early on, the fewererrors you make later.
- Always make your living doing something you enjoy.
- Be intellectually competitive. The key to research is to assimilate as much data aspossible in order to be to the first to sense a major change.
- Make good decisions even with incomplete information. You will never have all the information you need. What matters is what you do with the information you have.
- Always trust your intuition, which resembles a hidden supercomputer in the mind. It can help you do the right thing at the right time if you give it a chance.
- Don't make small investments. If you're going to put money at risk, make sure the reward is high enough to justify the time and effort you put into the investment decision.

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Publications

- "No Bull: My Life In And Out Of Markets"byMichael Steinhardt, (2001)

Quotes

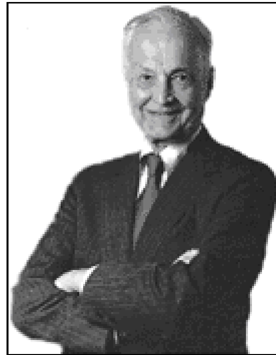
"One dollar invested with me in 1967 would have been worth $481 on the day I closed the firm in 1995, versus $19 if it had been invested in a Standard & Poor's index fund."

"I always used fundamentals. But the fact is that often, the time frame of my investments was short-term."

"I do an enormous amount of trading, not necessarily just for profit, but also because it opens up other opportunities. I get a chance to smell a lot of things. Trading is a catalyst."

"Somehow, in a business [securities trading] so ephemeral, the notion of going home each day, for as many days as possible, having made a profit – that's what was so satisfying to me."

John Templeton



John Templeton

Born:	Winchester, Tennessee, in 1912
Affiliations:	• Fenner & Beane • Templeton, Dobbrow & Vance, Inc.

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	• Templeton Growth, Ltd.
Most Famous For:	In 1939, with Hitler's Germany ravaging Europe, John Templeton bought $100 of every stock trading below $1 on the New York and American stock exchanges. Templeton's trade got him a junk pile of some 104 companies, 34 of which were bankrupt, for a total investment of roughly $10,400. Four years later he sold these stocks for more than $40,000! Templeton became a billionaire as a true pioneer of globally diversified mutual funds, including the Templeton World Fund, which was formed in 1978. His flagship Templeton Growth Fund posted a 13.8% annualized average return from 1954 to 2004, well ahead of the Standard & Poor's 11.1%.

Personal Profile
John Templeton was born into a poor Tennessee family. He attended Yale University on a scholarship and graduated at the top of his class with a degree in economics in 1934. He went on to Oxford as a Rhodes Scholar and obtained a master of arts in law in 1936. Returning to the United States he went to New York to work as a trainee for Fenner & Beane, one of the predecessor firms of Merrill Lynch.

Templeton co-founded an investment firm that would become Templeton, Dobbrow & Vance in the depths of the Depression in 1937. The firm was successful and grew to $300 million in assets with eight mutual funds under management. In 1954, Templeton also started the Templeton Growth Fund, based in Nassau in the Bahamas. Templeton, Dobbrow & Vance eventually changed its name to Templeton Damroth, and Templeton eventually sold his stake in the firm in 1962.

During the next 25 years, Templeton created some of the world's largest and most successful international investment funds. He sold his Templeton funds in 1992 to the Franklin Group. In 1999, *Money Magazine* called him "arguably the greatest global stock picker of the century." As a naturalized British citizen living in the Bahamas, Templeton was knighted by Queen Elizabeth II for his many accomplishments.

Upon his retirement from the investment business, Templeton became an active philanthropist worldwide through his John Templeton Foundation, which focuses

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its donations on spiritual and scientific research.

Investment Style
One of the past century's top contrarians, it is said about John Templeton that "he bought low during the Depression, sold high during the internet boom and made more than a few good calls in between."

His investing style can be summed up as looking for value investments, what he called "bargain hunting", by searching out such targets in many countries instead of just one. Templeton's investing mantra was "search for companies around the world that offered low prices and an excellent long-term outlook."

As a value-contrarian investor, Templeton believed that the best bargains were in stocks that were completely neglected - those that other investors were not even studying. In this regard, he had an advantage not readily available to the average individual investor – his residence in Lyford Cay in the Bahamas. The Lyford Key Club was populated with successful businessmen from all parts of the world.

Templeton found he could easily exchange ideas and opinions with them in that attractive ambiance, which, for him, worked better than networking with Wall Street contacts with limited information who were always trying to sell him things. Not unlike fellow legendary investor Phillip Fisher, Templeton systematically mined his numerous contacts for valuable, objective investment data, which in his case related to market conditions and investment targets around the world.

Publications

- "Spiritual Investments: Wall Street Wisdom From The Career Of Sir John Templeton" by Gary D. Moore (1998)
- "Golden Nuggets From Sir John Templeton" by John Templeton(1997)
- "21 Steps To Personal Success And Real Happiness" *by* John Marks Templeton and James Ellison (1992)

Quotes

"Rejecting technical analysis as a method for investing, Templeton says, "You must be a fundamentalist to be really successful in the market."

"Invest at the point of maximum pessimism."

"If you want to have a better performance than the crowd, you must do things differently from the crowd."

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"When asked about living and working in the Bahamas during his management of the Templeton Group, Templeton replied, "I've found my results for investment clients were far better here than when I had my office in 30 Rockefeller Plaza. When you're in Manhattan, it's much more difficult to go opposite the crowd."

Ralph Wanger

Ralph Wanger

Born:	Chicago in 1933.
Affiliations:	• Harris Associates • Acorn Fund • Wanger Asset Management
Most Famous For:	Wanger was widely known for his witty and far ranging quarterly letters to shareholders as lead manager for the Acorn Fund, which, between 1970 and 1988 was one of the top-performing small-cap growth funds in the U.S.

Personal Profile
Wanger received his bachelor's and master's. degrees from the Massachusetts Institute of Technology, graduating in 1955. He started out in the insurance business and then began his investing career with Harris Associates in Chicago in 1960. He worked as a securities analyst and portfolio manager until the formation of the Acorn Fund in 1977, at which time he became its portfolio manager and president, a position he held until his retirement in 2003. While the S&P 500 Index climbed 12.1% per year during this period, Acorn racked up an annualized 16.3% return.

Investment Style
Wanger's investing style at Acorn was simple: be a long-term holder of smaller

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companies with financial strength, entrepreneurial managers and understandable businesses that will benefit from a macroeconomic trend. He's quoted as saying, "If you're looking for a home run [Wanger preferred these to singles] – a great investment for five years or ten years or more – then the only way to beat this enormous fog that covers the future is to identify a long-term trend that will give a particular business some sort of edge."

Wanger employed the idea of investing according to "themes." For example, if he had been around during the California gold rush, he would not have been investing in gold claims, but he would have loved the businesses that sold miners their picks and shovels. The mines played out in a matter of months, but gold diggers kept at it for several years.

It is reported that Wanger was a voracious consumer of investment information. In valuing a company to invest in he looked for the following parameters:

- A growing market for the company's product or service
- Evidence of a company's dominant market share
- Outstanding management
- An understandable business
- Evidence of a company's marketing skills
- A high level of customer service
- Opportunity for a large stake in the company
- A strong balance sheet
- The price must be attractive

Lastly, Wanger said he constantly had to remind himself that you can have a good company but a bad stock.

Publications

- "Zebra In Lion Country" by Ralf Wanger and Everett Mattlin (1999)

Quotes

"An attractive investment area must have favorable characteristics that should last five years or longer."

"Chances are, things have changed enough so that whatever made you a success thirty years ago doesn't work anymore. I think that by concentrating on smaller companies, you improve your chances of catching the next wave."

"If you believe you or anyone else has a system that can predict the future of the

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stock market, the joke is on you."

"Since the Industrial Revolution began, going downstream – investing in businesses that will benefit from new technology rather than investing in the technology companies themselves – has often been the smarter strategy."

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