

Investment Gurus & Philosophy

Investing Perspective Investments and Markets

Investment Manager

Fund Managers and Invest Managers

What Does *Fund Manager* Mean?

The person(s) responsible for implementing a fund's investing strategy and managing its portfolio trading activities. A fund can be managed by one person, by two people as co-managers and by a team of three or more people. Fund managers are paid a fee for their work, which is a percentage of the fund's average assets under management.

Also known as an "investment manager".

<http://www.investopedia.com/terms/f/fundmanager.asp>

Investment and Markets

- Gurus – Gold and Shovels...
- How they became Famous
- Their Philosophy
- Mega Companies and Mega Rich
- Theories
- Psychology of Money Mgt
- Research

Some Gurus to Remember

Gurus

- Edward Johnson, III
- Sir John Templeton
- Warren Buffett
- Bill O'Neil
- Gerald Loeb
- Jim Cramer
- Bill Miller
- Bloomberg

Gurus & Mega Companies

- Prince Al-Waleed
- Charles Schwab
- Merril Lynch
- Goldman Sachs

Sir John Templeton

- He rejected technical analysis for stock trading, preferring instead to use fundamental analysis.^[6]
- Templeton became a billionaire^{[3][4][5][6][7][8]} by pioneering the use of globally diversified mutual funds. His Templeton Growth, Ltd. (investment fund), established in 1954, was among the first who invested in Japan in the middle of the 1960s.^[9] He is noted for buying 100 shares of each company for less than \$1 (\$16 in current dollar terms) a share in 1939 and making many times the money back in a 4 year period.^[10]

Ned Johnson

- **Edward Crosby "Ned" Johnson 3rd** (born 29 June 1930) is an [American](#) investor and businessman who, along with daughter [Abigail Johnson](#), owns and runs [Fidelity Investments](#) and [Fidelity International](#).
- With an estimated current^[update] net worth of around \$8.0 billion, he is ranked by [Forbes](#) as the [30th richest person in America](#).^[1]
- He was the first to sell discount brokerage services to banks, insurance companies and consumers. He supported and invested in automation of brokerage sales and operations.
- His daughter Abigail, “President of Fidelity”, who now owns up to 24% of the shares in Fidelity, has a net worth of \$11 billion and is ranked 17th on the Forbes rich list.

Warren Buffett

- Often called the "legendary investor Warren Buffett", ^{[4][5]} he is the primary shareholder, chairman and CEO of Berkshire Hathaway.^[6]
- Buffett is called the "Oracle of Omaha"^[8] or the "Sage of Omaha"^[9] and is noted for his adherence to the value investing philosophy and for his personal frugality despite his immense wealth.^[10]
- In 2008 he was ranked by Forbes as the richest person in the world with an estimated net worth of approximately US\$62 billion.^[90]

William J. O'Neil

- **William J. O'Neil** (born March 25, 1933) is an American entrepreneur, stockbroker and writer, who founded the business newspaper Investor's Business Daily and the stock brokerage firm William O'Neil + Co. Inc. He is the author of the books *How to Make Money in Stocks* and *24 Essential Lessons for Investment Success* and is the creator of the CAN SLIM investment strategy.
- He bought a seat on the NYSE at age 30 (the youngest at that time ever to do so)

Gerald Loeb

- **Gerald Loeb** (1899 - April 13, 1974) was a founding partner of E.F. Hutton & Co., a renowned Wall Street trader, and the author of the books *The Battle For Investment Survival*^[1]
- Loeb promoted a view of the market as too risky to hold stocks for the long term in contrast to well known value investors. i.e There is a time to take profits...

Cramer

- **James J. "Jim" Cramer** (born February 10, 1955) is an American television personality, a former hedge fund manager, and a best-selling author. Cramer is the host of CNBC's *Mad Money* and a co-founder and chairman of TheStreet.com, Inc.

Bill Miller

- **Bill Miller** is Chairman and Chief Investment Officer of Legg Mason Capital Management, a subsidiary of Legg Mason Inc. He is currently the portfolio manager of the Legg Mason Value Trust (MUTF: LMVTX) and the Legg Mason Opportunity Trust mutual funds.
- Money magazine named Miller as "The Greatest Money Manager of the 1990's". Morningstar named him "Domestic Equity Manager of the Year" in 1998 and "Fund Manager of the Decade" in 1999. [4]
- Quote: "Lowest average cost wins."

Bloomberg

- **Michael Rubens Bloomberg** (born February 14, 1942) is the current Mayor of New York City, and the 10th richest person in the United States, having net worth of US\$18 billion in 2010.^[2] He is the founder and 88% owner of Bloomberg L.P., a financial news and information services media company.^{[3][4][5]}

Prince Al-Waleed bin Talal

- **Prince Al-Waleed bin Talal** (also spelled Waleed bin Talal) (Arabic: الوليد بن طلال بن عبد العزيز آل سعود; born 7 March 1955) is a member of the Saudi Royal Family. He is the nephew of the Saudi Arabian King Abdullah. An entrepreneur and international investor but without real political power within the House of Saud or in Saudi Arabia, he has amassed a fortune through investments in real estate and the stock market.
- As of March 2010, his net worth is estimated at US\$19.4 billion, up from \$13.3 billion, according to Forbes, making him the 19th richest person in the world on their list published in March 2010.^[2] He has been nicknamed by Time magazine as the *Arabian Warren Buffett*.^[3]
- He has invested in the best companies and new technology worldwide such as large early investments in AOL, Apple Inc., MCI Inc., Motorola, News Corporation Ltd and other technology and media companies

Charles R. Schwab

- **Charles R. Schwab** (born July 29, 1937) is the founder and chairman of the [Charles Schwab Corporation](#).
- Practical Investor
- Examples: Utilities, Phone/Telecom - Beating Inflation
- Schwab is hi tech and offers just about anything the investor would need.
- The **Charles Schwab Corporation** ([NYSE: SCHW](#)), based in [San Francisco, California](#), is a company founded as a traditional (brick-and-mortar) [brokerage house](#), and which today is one of the world's largest discount brokers. ^[4]
- Schwab was the first online discount brokers in the industry and has maintained its simple platform with simple tools for the novice

Goldman Sachs

- Goldman Sachs was founded in 1869 and is headquartered at 200 West Street in the Lower Manhattan area of New York City, with additional offices in major international financial centers.
- **The Goldman Sachs Group, Inc.** is a global investment banking and securities firm which engages in investment banking, securities, investment management, and other financial services primarily with institutional clients.
- In the early 20th century, Goldman was a player in establishing the initial public offering (IPO) market.
- Former employees include Robert Rubin and Henry Paulson who served as United States Secretary of the Treasury after leaving the firm; Rubin under President Bill Clinton and Paulson under George W. Bush.

Merrill Lynch

- **Charles Edward Merrill** (October 19, 1885 – October 6, 1956) was an American philanthropist, stockbroker and co-founder of Merrill Lynch & Company (previously called Charles E. Merrill & Co.).
- **Bank of America Merrill Lynch^[1]** is the investment banking and wealth management division of Bank of America. With over 15,000 brokers and \$2.2 trillion in client assets it is the world's largest brokerage.^[2] Formerly known as **Merrill Lynch & Co., Inc.**, prior to 2009 the firm was publicly owned and traded on the New York Stock Exchange under the ticker symbol **MER**.

Wealth Metaphysics & Psychology

- Think and Grow Rich – Napoleon Hill
- Suze Orman (The 9 Steps to Financial Freedom)
- Robert Kiyosaki (Rich Dad, Poor Dad)
- Thomas Stanley (The Millionaire Mind, The Millionaire Next Door)
- Wayne Dyer
- T Harv Eker
- Richest Man in Babylon – 10% Rule

Richest Man in Babylon

- *The Richest Man in Babylon* is a book by George Samuel Clason which dispenses financial advice through a collection of parables set in ancient Babylon. Through their experiences in business and managing household finance, the characters in the parables learn simple lessons in financial wisdom.
- **1. Live on less than you earn**
- **2. Seek advice from those who are competent through their own experiences to give it**
- **3. Make your gold work for you.**

Harv Eker & The Money Mgt

- **T. Harv Eker** is a motivational speaker and touring lecturer best known for his bestselling book, *Secrets of the Millionaire Mind*.
- 1) 10 percent - Financial Freedom Account.
The money in this account - only be used for investment and the original capital shall never be withdrawn.
- 2) 10 percent - Long Term Saving for Spending Account.
- 3) 10 percent - Education Account.
- 4) 10 percent - Play Account.
Celebrate Buy Clothest etc.
- 5) 50-555 percent - Necessities Account
- 6) 5-10 percent – Donations, Charity, House of Worship, Schoolsm Hospitals, etc...Account.

Hedge Funds and Fund Managers

- **Largest hedge fund managers**
- The 25 largest hedge fund managers had \$519.7 billion in assets under management as of December 31, 2009. The largest manager is JP Morgan Chase (\$53.5 billion) followed by Bridgewater Associates (\$43.6 billion), Paulson & Co. (\$32 billion), Brevan Howard (\$27 billion), and Soros Fund Management (\$27 billion).^[6]
- A hedge fund manager will typically receive both a management fee and a performance fee (also known as an incentive fee) from the fund. A typical manager may charge fees of "2 and 20", which refers to a management fee of 2% of the fund's net asset value each year and a performance fee of 20% of the fund's profit.^[1]

Efficient-market hypothesis

- In finance, the **efficient-market hypothesis (EMH)** asserts that financial markets are "informationally efficient". That is, one cannot consistently achieve returns in excess of average market returns on a risk-adjusted basis, given the information publicly available at the time the investment is made.

Value investing

- **Value investing** is an investment paradigm that derives from the ideas on investment and speculation that Ben Graham & David Dodd began teaching at Columbia Business School in 1928 and subsequently developed in their 1934 text Security Analysis. Although value investing has taken many forms since its inception, it generally involves buying securities whose shares appear underpriced by some form(s) of fundamental analysis.^[1]

Other Styles

- Contrarian - attempts to profit by investing in a manner that differs from the conventional wisdom, when the consensus opinion appears to be wrong.
- Ethical - **Socially responsible investing**, also known as sustainable, socially-conscious, or ethical investing
- **Momentum investing** is a system of buying stocks or other securities that have had high returns over the past three to twelve months, and selling those that have had poor returns over the same period
- **Growth investing** is a style of investment strategy. Those who follow this style, known as *growth investors*, invest in companies that exhibit signs of above-average growth, even if the share price appears expensive in terms of metrics such as price-to-earnings or price-to-book ratios.

Styles Continued

- **Dollar cost averaging** is a timing strategy of investing equal dollar amounts regularly and periodically over specific time periods (such as \$100 monthly) in a particular investment or portfolio.
- An **index fund** or **index tracker** is a collective investment scheme (usually a mutual fund or exchange-traded fund) that aims to replicate the movements of an index of a specific financial market, or a set of rules of ownership that are held constant, regardless of market conditions.

John Maynard Keynes

- He greatly refined earlier work on the causes of business cycles, and advocated the use of fiscal and monetary measures to mitigate the adverse effects of economic recessions and depressions.
- His ideas are the basis for the school of thought known as Keynesian economics, as well as its various offshoots.

Laffer Curve Economics

- **What Does *Laffer Curve* Mean?**

Invented by Arthur Laffer, this curve shows the relationship between tax rates and tax revenue collected by governments. The chart below shows the Laffer Curve: The curve suggests that, as taxes increase from low levels, tax revenue collected by the government also increases. It also shows that tax rates increasing after a certain point (T^*) would cause people not to work as hard or not at all, thereby reducing tax revenue. Eventually, if tax rates reached 100% (the far right of the curve), then all people would choose not to work because everything they earned would go to the government.

Defensive Portfolio

- The term defensive stocks is synonymous to non-cyclical stocks, or companies whose business performance and sales are not highly correlated with the larger economic cycle. These companies are seen as good investments when the economy sours. As their name suggests, defensive stocks will defend your portfolio from losses typically sustained during recessionary periods. Defensive companies are those whose business is not highly dependent on economic prosperity.
- Big Cap Pharma
- Utilities / Pipelines
- Food Companies
- Food / Drug Retailers
- Fast Food Giants
- Household Goods
- <http://www.investopedia.com/ask/answers/04/072004.asp>

Managed Funds - Retirement

- 401K funds and other retirement funds that allow investments typically allow investing into:
 1. Stock Funds of: Fixed Income, Dividend, or Growth and also International Funds. Also: Mid Cap, Large Cap and Small Caps.
 2. Bonds or Bond Funds

Global Growth

- *With over 29% of all S&P 500 revenues coming from overseas, all investors must factor the global economy into their investment process.*
- http://www.businessweek.com/investor/content/jul2009/pi20090716_980847.htm

Recent Hedge Fund Interview

- David Tepper, founder of \$12.4 billion hedge fund Appaloosa Management sat down for a rare interview with CNBC Friday morning. He says that over time he has compounded 40% for himself and compounded 30% for his investors over the course of 17 years. In his chat, he revealed that he is moving into stocks because if the economy does well, stocks will do well. Interestingly, he believes the Federal Reserve is acting as a put for his strategy because if the economy worsens, the Fed will help with quantitative easing ([QE](#)). You can see what stocks are in Appaloosa's portfolio in [our newsletter: hedge fund wisdom](#).

'Macro' Forces in Market Confound Stock Pickers - the economy, politics and regulation.

- "Stock picking is a dead art form," contends James Bianco of Bianco Research. "Macro themes dominate the market now more than ever."
- David Einhorn *"The lesson that I have learned is that it isn't reasonable to be agnostic about the big picture."* -- **David Einhorn**
- Stock pickers say the market's macro focus has meant that company earnings no longer drive stock prices as they once did.
- Another frustration for stock pickers is the tendency of investors to pile in and out of stocks based on macro considerations of overall market risk.
- Referring to legendary stock pickers Benjamin Graham and David Dodd, he says: "I'm a Graham and Dodd value investor, and geopolitical issues didn't matter 10 years ago. But they sure matter now."
- "What is happening with the country, with the government, and what are their policies? These are the questions as an emerging-market investor that you ask before you do any bottom-up work on stocks," he says.
- <http://online.wsj.com/article/SB10001424052748704190704575489743387052652.html>

Macro Forces

- The recent WSJ article talks about Macro but overlooks the: Sector, The Country specific, and the Momentum.
- US Investors will continue to invest in traded stocks in India, China, Africa, EU and more..
- The Cost of doing business for each stock will continue to be a factor.
- The Cost of Downsizing or Expanding is key also.

Why Not and Investing More?

- If the market continues to stink, the fed will continue to act.
- If the market takes off, then all is well.
- Either Way, most philosophies will succeed in this environment.
- After 3 years of a changing tide for the worse, things will continue their cycle.

Research Industry Reports

- Major broker dealers such as Merrill and others all had their own research departments.
- These departments issued research around the world
- Example BOA/Merrill http://www.ml.com/?id=7695_8137
- After 2001, research begin to become more legally independent of the management.
- Before, there was pressure for the internal research departments to “Puff” Stocks. Example World Com etc.
- As you know, when big companies promote research and stocks, there is a built in audience to sell etc..
- Used to be “market makers” also, and get the points etc.

Class Favorites...

- Broad Mix of Assets – Stocks, Bonds, Fixed, Cash, Gold
- Social and Ethical
- Annuities for deferred growth
- Morningstar recommended the following investment mix based on age.....
- More international options for retirement
- Quality money market funds
- Tax free Bonds
- Merger and Takeover Stocks – buyout value and synergy 😊

End of Class

- Thanks for being here.

Kindest Regards, George

References

- **Beginners' Guide to Investing: Online Publications at the SEC -** <http://www.sec.gov/investor/pubs/begininvest.htm>
- **Get the Facts: The SEC's Roadmap to Saving and Investing -** <http://www.sec.gov/investor/pubs/roadmap.htm>
- <http://www.sec.gov/investor/pubs/takingstock.htm>
- **Beginners' Guide to Financial Statements.** This brochure will help you gain a basic understanding of how to read financial statements.
<http://www.sec.gov/investor/pubs/begfinstmtguide.htm>
- **View More Information on Different Types of Investments:**
<http://www.sec.gov/investor/pubs/investop.htm>
- [A Guide to Understanding Mutual Funds](#) – A publication from the ICI that explains mutual funds, describes how to establish realistic goals, and suggests questions to ask before you invest. (Provided in [PDF](#) format.)
- **Exchange-Traded Funds (ETFs) -** <http://www.sec.gov/answers/etf.htm>
- **Investopedia – Throughout**
- **WikiPedia for Bio Information and Philosophical**