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The book *The World's 99 Greatest Investors: The Secret of Success* provides a unique opportunity to learn from the most prominent investors globally. In the book they generously share their experiences and insights. Magnus Angenfelt, previously a top ranked sell side analyst and hedge fund manager, will be presenting one investor per month at InvestingByTheBooks. For those who cannot wait for the monthly columns, we strongly recommend you to buy the book.

It's wrong to obsess about the income statement and to ignore the balance sheet. It's wrong to value a business solely on the basis of what it

might earn in the future to the exclusion of what it owns in the present. It's wrong to demand more of financial statements prepared in accordance with generally accepted accounting principles than they can deliver. What these financial documents offer is not the truth, but a set of objective benchmarks with which an intelligent investor can arrive at a useful semblance of the truth.

We think diversification is only a surrogate, and usually a poor surrogate, for knowledge, control, and price consciousness.

With stocks you have to worry about the market, with debt I just have to understand the contract. If my analysis is right, I'll make money.

BORN New York, USA 1925.

EDUCATION Whitman graduated in business administration from Syracuse University in 1949 (which renamed its School of Management after Whitman following a large donation). He holds a Master's in Economics from the New School for Social Research and is an adjunct faculty member at Yale School of Management.

CAREER After university, Whitman worked for a string of investment firms in New York City and Philadelphia. He began his career as a security analyst at Shearson Hammill before working for the Rosenwald family, of Sears Roebuck fortune. Aged 49 he ventured out on his own and founded M. J. Whitman LLC, a full-service broker-dealer. He established himself as an investment banker, expert witness in shareholder litigations, and turnaround specialist for bankrupt companies. He also managed an open-end investment company, Equity Strategies. Aged 65 he founded Third Avenue Management; he is still chairman of the board and managed the flagship Third Avenue Value Fund since inception in 1990 through 2012.

INVESTMENT PHILOSOPHY Whitman is a long-term bottom-up stock market value investor who depends on fundamental analysis. He has an opportunistic approach and is not constrained by market capitalization, industry sector, or geographic location. His investment mantra is ‘safe and cheap’. The focus is on analyzing the current balance sheet of companies that he and his team believe have the potential to create value in the long term, withstanding cyclical downturns and evolving as leaders among their competition. Six main criteria are crucial: 1) strong finances; 2) high-quality assets with conservative and appropriate leverage; 3) competent management; 4) a proven track record and interests aligned with outside, passive, minority shareholders; 5) an understandable business; 6) a comprehensible business model with meaningful financial information readily available. A sound political and regulatory environment means the presence of a legal framework that protects a business and shareholder rights. A significant discount to intrinsic value means that it is priced substantially below a conservative estimate of the business’ value as a private entity or takeover candidate. Attractive growth prospects means the potential for attractive growth in the value of a company’s net assets over the next five years.

He regards macro data such as interest rates, private consumption, etc. as unimportant for investors as long as the political system is stable. The portfolio normally consists of roughly 100 positions and has a low turnover. Whitman will not invest unless one of the larger accountant companies has done the auditing. Whitman does not believe in market efficiency because the army of analysts and portfolio managers focus on the wrong things: the income statement and future earnings.

OTHER Whitman is a strong opponent of the direction of recent changes in generally accepted accounting principles (GAAP) in US. He is a frequent speaker and commentator on the financial services community, criticizing, for example, the free market in the sense advocated by Milton Friedman and Friedrich Hayek. Whitman’s view is that in well-run industrial economies, there is a marriage between government and the private sector, each benefiting from the other. He has written four books. Third Avenue Management manages more than \$20 billion of assets. He has taught at the Yale School of Management for over thirty years. He served in the Navy during the Second World War.

Sources: Martin J. Whitman & Martin Shubik, The Aggressive Conservative Investor (2005); Martin J. Whitman; The first quarterly letter from Third Avenue Funds”; MSCI World Index; Forbes; Wikipedia.