



WALLY
WEITZ
USA



Investor profile at InvestingByTheBooks: 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, advice and insights and we are proud to present these excerpts. Magnus Angenfelt, previously a top ranked sell side analyst and hedge fund manager, will be presenting one investor per month. For those who cannot wait for the monthly columns, we strongly recommend you to buy the book. The investor himself writes the first section below and then Angenfelt describes the background of the investor and comments on his investment philosophy. Enjoy.

Mutual-fund investors consistently snatch defeat from the jaws of victory. Dozens of studies show (approximately) the same results: stocks have earned about 10 per cent per year over many decades; stock mutual funds have earned about 9 per cent per year (the difference being expenses); stock mutual-fund investors have earned about 3 per cent per year. The reason for this 6 per cent shortfall is that fund investors regularly sell the loser of the previous period and buy the winner of the previous period. Fund investors cost themselves 6 per cent per year by chasing performance. Don't do it.

Measure value of business, then buy low and sell high. The value of a business is (roughly) measurable and usually changes gradually. The company's stock price may fluctuate over a wide range, giving the investor the opportunity to buy at a bargain price and sell at a full or premium price. This approach requires patience, discipline, and the courage of one's convictions, but it dramatically improves the investor's odds of success.

Turn off CNBC and turn on the History Channel. The day-to-day news and opinion served up by the financial media tends to foster short-term thinking and emotional behaviour. It can be quite counter-productive to good, long-term investing. Understanding the factors that affect a company's ability to generate cash for its owners over a period of many years is much more important.

Management matters. Every few years, most companies are faced with a big decision – a problem to deal with, an opportunity to make a bold, positive move, or a chance to make or avoid a big mistake. We want to feel confident that management will be honest with itself, understand the risks involved, think of shareholders as partners, and pursue the long-term, per share, value of the business.

BORN Newton, Massachusetts, USA 1944

EDUCATION Weitz earned a BA in Economics at Carleton College and is a CFA charterholder.

CAREER He started as a small-cap analyst at G. A. Saxton. After three years he joined Chiles, Heider & Co., Inc., a regional brokerage firm in Omaha, where he spent ten years as an analyst and portfolio manager. Aged 39 he founded Wallace R. Weitz & Company where he is president and portfolio manager.

INVESTMENT PHILOSOPHY Weitz is a long-term stock market value investor. His investment style combines Graham's price sensitivity and insistence on a 'margin of safety' with a conviction that qualitative factors that allow companies to have some control over their own destinies can be more important than statistical measurements, such as historical book value or reported earnings. In his own words, he searches 'for securities with growth and well-managed businesses of any size which have honest, competent management and then estimate the price that an informed, rational buyer would pay for 100 % of the business'. It has to be a company whose business he understands. Weitz likes firms that offer services rather than those that make a tangible product. He feels that service firms are less vulnerable to pricing pressure and are therefore in greater control of their own destinies. He also likes companies that generate plenty of free cash flow. When he can't find stocks that meet his exacting value criteria, Weitz simply increases his cash holdings and waits at the sideline. In the end of 2013 the cash position was 30% which make the performance above 30% the same year even more impressive.

OTHER Weitz's investment career began aged twelve, when he invested his profits from various entrepreneurial ventures. He now manages approximately \$5 billion. When he's not playing bridge with Warren Buffett he enjoys golf, skiing, tennis, reading, and working with charitable and educational foundations.

Sources: Wally Weitz; Wally Weitz Funds; Partners III Opportunity Fund; Forbes.