



JOHN
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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.

Conventional wisdom suggests that, for investors, more information these days is blessing and more competition is a curse. I'd say the opposite is true. Copying with so much information runs the risk of distracting attention from the few variables that really matter. Because sound evaluations call for assembling information in a logical and careful manner, my odds improve, thanks to proliferating numbers of traders motivated by tips and superficial knowledge. By failing to perform rigorous, fundamental analyses of companies, industries, or economic trends, these investors become

prospectors who only chase gold where everyone else is already looking. Mutual fund investors who think they can make money by chasing the hottest fund are panning the same overworked streams.

Many circumstances and yardsticks have changed. Companies cited have grown, merged, or, in some cases, closed their doors. Dividend yields are not so lavish nowadays, and erstwhile P/E ratios seem almost quaint. Brief security analyses are not intended as current recommendations, but as testimony to the thought processes that shaped Windsor's fortunes. Are they still valid? I think so. The relationship of total return to the P/E ratio still governs my investment decisions, and the returns meet my high standards.

If a lesson emerges besides the merits of low P/E ratios, it should be that successful, long-term investment strategies need not rest on a few very risky glamour stocks. The record will show that we painted our canvas using a broad palette. At various times, Windsor owned representatives of all but two industries, and many were revisited more than once. Some payoffs were of the championship variety; others were nothing to be proud of. Now and then, we hit home runs, but our scoring relied chiefly on base hits. To go home winners, that's all investors need.

BORN Wauseon, Ohio, USA 1931.

EDUCATION Neff graduated summa cum laude with a BA from the University of Toledo in 1955. He obtained his MBA from Case Western Reserve University in 1958.

CAREER Neff started as a securities analyst with the National City Bank of Cleveland 1955. 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.

INVESTMENT PHILOSOPHY Neff's investment strategy was in reality a blend of contrarian, growth and value investing. He calls himself a low price-earnings investor. He focused on the least popular stocks, but they needed to have an organic growth in excess of 7 %, yield protection, and be a solid company. Investments were always based on rigorous fundamental analysis, examining both management and the books in detail. Future earnings were everything and he regards ROE (return on equity) as the most important single yardstick of what management has accomplished for shareholders. On average, Neff's stocks had a P/E ratio that was half that of the rest of the market. The number of holdings was rarely under 100. He was known for his discipline and his long working days, and for being highly knowledgeable about the companies he invested in.

OTHER The Windsor Fund was the best performing mutual fund during his tenure and became the largest fund, closing to new investors in the 1980s. Of the 31 years he managed the fund, he beat the market in 22 years. He was said to take the week's entire Wall Street Journal copies home for a second read over the weekend.

Sources: John Neff, John Neff on Investing (2001); CFA Institute; Wikipedia.