



**T. BOONE  
PICKENS**  
USA



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**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.**

Chief executives, who themselves own few shares in their companies, have no more feeling for the average stockholder than they do for baboons in Africa. Always keeping in mind that shareholders are the owners of a company, while members of the management are employees.

Far too many executives have become more concerned with the four P's – pay, perks, power, and prestige – rather than making profits for shareholders.

Show up early, work hard, stay late. Work eight hours and sleep eight hours, and make sure they are not the same eight hours.

BORN Oklahoma, USA 1928.

EDUCATION Pickens graduated from Oklahoma A&M (now Oklahoma State University) with a degree in geology in 1951.

CAREER He started his career at Phillips Petroleum in 1951. In 1956 he founded the company that would later become Mesa Petroleum, which turned into one of the world's largest independent oil companies. In the 1980s, Pickens became famous as a corporate raider, with several big deals of which Gulf Oil was among the largest. By the mid-1990s he gave up his raiding after a brutal and expensive fight with Unoca. In 1997 Pickens founded BP Capital Management. He holds a 46 % interest in the company, which runs two hedge funds, Capital Commodity and Capital Equity.

**INVESTMENT PHILOSOPHY** Pickens is an oilman and shareholder activist who in later years has become a hedge-fund manager. He is entirely concentrated on the energy sector, mostly in oil. His analysis starts at the top, with a scenario for the different forms of energy, from where he drills down to the individual company. He prefers to seek out badly run companies where he can influence their governance and management. In his role as a hedge-fund manager he has a different strategy to his earlier days, when he was an activist and would even buy whole companies (in those days there were many deals which never came to fruition, but with enough noise and fuss the stock rose nevertheless and Pickens was able to exit with excellent profits).

Pickens's key characteristics as an investor are his knowledge of the energy sector, endurance, and courage. He is possibly one of the most risk-inclined investor in this book. One example is how through his company Mesa Petroleum he bought the thirty-times larger Hugoton Production. His hedge funds are not for the weak of heart either. One of them was founded in 1997 and lost 90 % in two years. The other hedge fund showed an annual return of 38 % for six years, before becoming one of the greatest loss-makers in the sector in 2008. Pickens's reckless style is perhaps best described in his own words in a quotation from Katherine Burton's book *Hedge hunters: After the Credit Crisis*: 'Most of my ideas work, but the timing gets screwed up every once in a while.'

**OTHER** He was involved in the creation of the United Shareholders Association. Pickens has been (but not any more due to strides in technology have altered the energy landscape) outspoken on the issue of peak oil, and advocates alternative and renewable energy sources such as solar and wind. In 2007 Pickens earned \$2.7 billion as the Capital Equity Fund increased 24 % after fees, and the \$590 million Capital Commodity fund grew 40 %. Pickens has donated more than \$1 billion to charity. According to *Forbes* he is "only" worth 1.6 billion US dollars today.

*Sources: T. Boone Pickens, The First Billion is the Hardest (2008); Katherine Burton, Hedge hunters: After the Credit Crisis, How Hedge Fund Masters Survived (2007); boonepickens.com; Businessweek; Insider Monkey; CNBC.*