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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.

Buy good businesses. The single most important indicator of a good business is its return on capital. In almost every case in which a company earns a superior return on capital over a long period of time it is because it enjoys a unique proprietary position in its industry and/or has outstanding management. The ability to earn a high return on capital means that the earnings which are not paid out as dividends, but rather retained in the business, are likely to be reinvested at a high rate of return to provide for good future earnings and equity growth with low capital requirement.

Buy businesses with pricing flexibility. Another indication of a proprietary business position is

pricing flexibility with little competition. In addition, pricing flexibility can provide an important hedge against capital erosion during inflationary periods.

Buy net cash generators. It is important to distinguish between reported earnings and cash earnings. Many companies must use a substantial portion of earnings for forced reinvestment in the business merely to maintain plant and equipment and present earning power. Because of such economic under-depreciation, the reported earnings of many companies may vastly overstate their true cash earnings. This is particularly true during inflationary periods. Cash earnings are those earnings which are truly available for investment in additional earning assets, or for payment to stockholders. It pays to emphasize companies which have the ability to generate a large portion of their earnings in cash.

Buy stock at modest prices. While price risk cannot be eliminated altogether, it can be lessened materially by avoiding high-multiple stocks whose price-earnings ratios are subject to enormous pressure if anticipated earnings growth does not materialize. While it is easy to identify outstanding businesses, it is more difficult to select those which can be bought at significant discounts from their true underlying value. Price is the key. Value and growth are joined at the hip. Companies that could reinvest at 12 per cent consistently with interest rate at 6 per cent deserve a premium.

**BORN** Chicago, USA 1925. Died 2005.

**EDUCATION** Ruane graduated from the University of Minnesota in 1945 with a degree in electrical engineering and a Master's from Harvard Business School in 1949.

**CAREER** After one year at General Electric he went to work for Kidder Peabody, where he stayed for 20 years. Aged 45, Ruane founded his own investment firm, Ruane Cunniff, with partner Rick Cunniff, and the same year they launched their flagship Sequoia Fund.

**INVESTMENT PHILOSOPHY** As a student and disciple of value investment guru Benjamin Graham, his profile as a stock market investor is obvious. In addition to the above 'insights' it is worth mentioning his meticulous attention to detail. He needed to understand a company and therefore had no taste for tech stocks. The Sequoia Fund today holds a moderately diversified portfolio of 75 positions, both large and small caps. Average holdings are around three years.

**OTHER** He met Warren Buffett at an investment seminar with Benjamin Graham and he and Buffett became lifelong friends. Most of their customers came to Ruane Cunniff on Buffett's recommendation. Ruane also served on numerous boards, including those of Geico, Data Documents Inc. and the Washington Post. He was a great philanthropist and adopted a block in Harlem, renovating buildings and establishing clinics and community service programs. He also funded educational programs on Indian reservations, and supported mental health charities. In addition, he set up TeenScreen, a nationwide organization that tests teenagers for symptoms of depression and other suicide risk factors. Humor and concern for others was his mantra.

*Sources: Ruane's 'Four rules of smart investing' from his lecture at Columbia University, compiled by Brian Zen; Life in legacy; Wikipedia.*