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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.

A stock's price is rarely the same as the company's value. Reason for that is the valuation process is flawed. Stock prices are heavily affected by market dynamics and by investors' emotions. These emotions swing widely from pessimism to optimism. Also, many investors buy stocks with the intention of holding them for several years based upon information that really only applies to a short-term time horizon. While the information they are using to invest may be valuable, it is often the wrong information for their investment timeframe. If people invest in a company based on current information, they have to be prepared to act on any changes to that information in a much shorter timeframe than most investors are

prepared to do. So therefore I respond more readily to new information than other investors. Nevertheless, one has to constantly compare a stock's technical and fundamental earnings growth rate against other stocks that may not be in the portfolio, but that have even better technical and fundamental outlooks. It is interesting to note the 80:20 rule here: fewer than 20 % of my stocks have produced more than 80 % of my gains.

Often when I talk to consultants, they like to see a very systematic, value-based process. They think that each stock has to be submitted to some type of disciplined, precise, and uniform evaluation. But the real world is not that precise. I'm convinced there is no universal valuation method. In fact, in the short run, valuation is not the key factor. Each company's stock price is unique to that company's place in the market environment and to its own phase in its corporate development. We don't ignore value, but realize in the short-to-intermediate term it is not the determinant factor in a stock's price movement. It has been said in the short term, a stock's price is like a voting machine, but in the long term it's a weighing machine. Over a full market cycle, the daily price action of a stock is irrelevant to the longer-term worth of a company.

Most people believe high turnover is risky. Again, I think just the opposite. High turnover reduces risk when it is the result of taking a series of small losses in order to avoid larger

losses. I don't hold on to stocks with deteriorating fundamentals or price patterns. For me, this kind of turnover makes sense. It reduces risk. More money can be made buying high and selling at even higher prices. I try to buy stocks that have already had good price moves, that are often making new highs, and that have positive relative strength. These are stocks in demand by other investors. The risk is that I'm buying near the top. But I would much rather be invested in a stock that is increasing in price and take the risk that it may begin to decline than invest in a stock that is already in a decline and try to guess when it will turn around. The above philosophy is most successful in a bull market. In bear markets, the largest gains may come from stocks that have declined the greatest percentage from

their previous highs. Look for individual stocks with saucer bottoms or other technical indications that the stock is about to rebound. Another strategic approach is to buy a class of stocks and/or a specific sector (such as technology) in the bottom decile(s) from their former peaks. Some of the best opportunities may be in stocks recovering from a significant market decline. For example, in the short-to-intermediate term, tech stocks that have been oversold have doubled in just one quarter from a major bottom. Further gains could ensue after that. In the long term, classic growth stocks can provide the best returns over a full market cycle. Remember, most investors over-diversify; it's best to concentrate on your best ideas.

**BORN** Chicago, USA 1942.

**EDUCATION** Driehaus earned his B.Sc. in 1965 and in 1970 took an MBA at DePaul University's College of Commerce (now the Driehaus College of Business).

**CAREER** After 14 years as a stock analyst and fund manager, in 1979 Driehaus founded the brokerage Driehaus Securities Corporation LLC. Three years later he founded Driehaus Capital Management LLC, where he is still responsible for investments and chairs the board.

**INVESTMENT PHILOSOPHY** Driehaus is best categorized as an international growth investor. His cornerstones are accelerating sales and earnings plus relative price momentum. In addition, he looks for companies with strong, consistent, and sustained earnings growth. He is principally a bottom-up investor. He believes the application of technical analysis is essential to identify timely investments in attractive stocks and industries.

**OTHER** In 2000, Driehaus was named in Barron's 'All-Century' team as one of the 25 most influential people in the mutual-fund industry in the past hundred years. Driehaus has roughly \$7.5 billion in assets under management. Through philanthropic- and community-service-oriented projects he supports conservation of classic architecture and the arts, reflecting his belief that beauty and the arts provide much-needed balance in a person's life. 2008 opened the Richard H Driehaus in Chicago.

*Sources: Richard H. Driehaus; Driehaus Capital Management LLC; Mid Cap Growth Composite.*