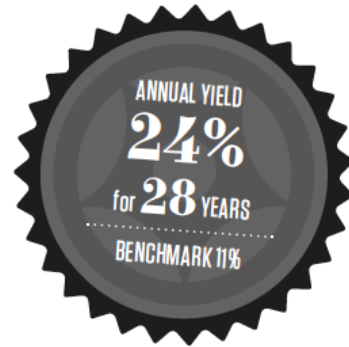




MICHAEL
STEINHARDT
USA



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.

Just as outright euphoria is often a sign of a market top, fear is, for sure, a sign of a market bottom. Time and time again, in every market cycle I have witnessed, the extremes of emotion always appear, even among experienced investors. When the world wants to buy only Treasury Bills, you can almost close your eyes

and get long stocks.

The only analytic tool that mattered was an intellectually advantaged disparate view. This included knowing more and perceiving the situation better than others did. It was also critical to have a keen understanding of what the market expectations truly were. Thus, the process by which a disparate perception, when correct, became consensus would almost inevitably lead to meaningful profit.

Beginning at a very early age, I have made cumulatively more judgments, and more investments decisions based on the same kinds of data, than almost anyone else. This process unconsciously leads to a sharpening, a fine-tuning, that, over time, results in fewer mistakes. In this repetitious behavior, a learning occurs that is not consciously understandable but allows one to develop 'good instincts'. Often listening to an idea led me to an entirely different conclusion to that envisaged by the proponent of that same idea, whose knowledge was far deeper than mine.

BORN New York, USA 1940.

EDUCATION In 1960 Steinhardt graduated from the Wharton School of Finance at the University of Pennsylvania in only three years.

CAREER Steinhardt began his career on Wall Street in research and analyst positions with mutual-fund company Calvin Bullock followed by a similar position at the brokerage firm at Loeb, Rhoades & Co, before founding Steinhardt, Fine, Berkowitz & Co., a hedge fund, in 1967. He retired and closed the fund in 1995. In 2004 he made a comeback through Wisdom Tree, which is the seventh largest index fund in the US based on ETF.

INVESTMENT PHILOSOPHY Even if the fundamentals were the starting-point, he usually ended up being a short-term investor with the normal holding being no longer than a month. ‘Our investment style is four yards up the middle in a cloud of dust’ as he himself described his investment style with the help of a metaphor from American football. He invested in all forms of assets, but stocks were usually in the majority. In the final years of the fund’s existence he also invested abroad, but with dreadful results. In contrast to the other traders in this book, Steinhardt was the opposite of a trend-follower. He preferred to go against the market and short his favorite companies. Neither did he care for technical analysis and graphs. Contrarian is probably the best description of his style, but in large part he was highly individual, and hard to copy. He had no rules or valuation frameworks, but tried simply to think differently. Steinhardt was known for his ability to predict the direction of the stock market. In his time, he was said to have been the most demanding boss on Wall Street.

OTHER He was one of the first prominent hedge-fund managers. No one has been so successful (over 30 % annual gross performance in 28 years) or had that stamina using such an intense investment strategy as Michael Steinhardt. One dollar invested in 1967 in his fund would have grown to \$481 in 1995, compared to \$19 for S&P 500 in the same period. Having in mind that Steinhardt on average only was roughly 35% net long in his portfolio over the time tells you how good he must have been on both picking winners and losers in the stockmarket. In 2001 he published his autobiography: *No bull: my life in and out of the markets*. Since retirement he has managed his own money and collected art. He is also a major philanthropist, active in Jewish causes.

Sources: Michael Steinhardt, No bull: my life in and out of markets (2001); Investopedia; Wikipedia.