



EDWARD
LAMPERT
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.

The idea of anticipation is key to investing and to business generally. You can't wait for an opportunity to become obvious. You have to think, 'Here's what other people and companies have done under certain circumstances. Now, under these new circumstances, how is this management likely to behave?'

One of the things I try to advocate to other investors and companies is that if you can have a large long-term investor then you have the ability to run the company for the long term.

So much time and money ends up spent ensuring that the financial statements are immune from criticism that it can become much more of a distraction than a useful tool for investors and managers.

BORN New York, USA 1962.

EDUCATION Lampert graduated with a BA in Economics from Yale University in 1984.

CAREER After school he started as an intern at Goldman Sachs. Inspired by Warren Buffett's letters to shareholders he left its risk arbitrage department in 1988 to start his own hedge fund ELS aged 26. He still serves as chairman and CEO.

INVESTMENT PHILOSOPHY Lampert defines himself as an "aggressive conservative" investor; one could also say a 'concentrated value' investor. He is uncommon for a hedge-fund manager in that he is a mix of investor and businessman. He is, among other things, CEO and chairman of Sears, the gigantic retailer store which is ELS largest holding and accounting for more than a third of the assets. Lampert focuses on finding companies that are seriously undervalued, and he is willing to target poorly run ones because they can produce greater returns if the right changes are made. As a result, Lampert is more hands-on with management, and the number of investments is normally below ten, although intimately known holdings are kept for several years.

Lampert's style of investment requires a more detailed knowledge of the business, company management, and its values, than those who invest for shorter periods of time. He seems to prefer mature and easily understandable companies that generate lots of cash. He thinks past performance used as a measure of quality is wildly overrated. When investing, he focuses intensely on how their companies allocate capital to maximize returns. Lampert has significant experience investing in retail, even if his first retail investment was only in 1997. He does not have any known shorting strategy.

OTHER Lampert has carefully studied Buffett for years. He went back and read annual reports in the couple of years preceding some of Buffett's investments: 'Putting myself in his shoes at that time, could I understand why he made the investments?' He has also been nicknamed 'the new Warren Buffett'. Lampert is most famous for forming and merging Kmart and Sears into Sears Holdings. He took control of Kmart (the third largest discount store chain in the US, then with above \$20 billion in sales) by buying up debt during its bankruptcy, cutting costs and by then reduce the workforce by 34 000 employees. Due to underperformance in Sears the asset under management in ELS has recently dropped from 10 to around \$2,5 billion. Lambert's earnings in 2004 were estimated to be \$1.02 billion, making him the first Wall Street financial manager to exceed an income of \$1 billion in a single year. Forbes estimated his wealth to be \$2.9 billion in 2013. In 2003 Lampert was kidnapped, but he managed to talk himself out of the situation and was released after two days.

Sources: Edward Lampert; CNNMoney; Bloomberg; Sears annual letter to shareholders, 2008; the Third Avenue Management Investor Conference and Luncheon, 18 November 2003; BusinessWeek, 2007; Wikipedia; online.wjs.com, the performance is estimated.