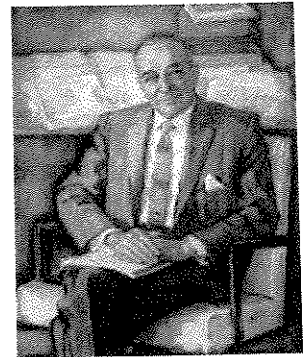




nyssa Celebrates 60 Years

A Tribute to Benjamin Graham - Founder, Director and Member of NYSSA



*Benjamin Graham
Portrait. A gift
from Warren
Buffett
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It is only fitting in our series of anecdotes about the history of the New York Society of Security Analysts that this month, October 1997, exactly 60 years since this Society was founded - we pay tribute to a man who was not only a great investor, but to whom we owe the profession of security analysis.

The novelist Ernest Hemingway once wrote, "All modern American literature comes from one book by Mark Twain, called *Huckleberry Finn*." ¹ In the world of investing, Benjamin Graham was no less important. In fact, he is considered the father of modern [fundamental] investing. Graham is to investing what Euclid is to geometry, and Darwin is to the study of evolution.

Today, Euclid, Darwin and Twain are more recognized than Graham, who was an investor and money manager, as well as a writer, teacher, classical scholar, basement inventor, playwright and financial philosopher. Yet almost all investors are in Graham's debt - whether they have heard of him or not. As *Smart Money* magazine observed in 1994, precisely 100 years after Graham was born, "Graham's ideas formed a framework of thinking about the stock market that has inspired the investment community for nearly a century." ²

Source: This profile on Benjamin Graham is excerpted from *Fundamental Analysis, Value Investing and Growth Investing*, part of the audiotape series *Secrets of the Great Investors*, a series of 26 audiotapes in 13 sets of two tapes. *Fundamental Analysis* is scripted by Roger Lowenstein and Janet Lowe and is narrated by Louis Rukeyser. Knowledge Products grants permission to NYSSA to reproduce excerpts from *Fundamental Analysis*. Copyright 1997 by Carmichael & Carmichael, Inc. *Secrets of the Great Investors*, Produced by Knowledge Products, P.O. Box 305151, Nashville, TN 37230. Customer service: (800) 876-4332.

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Footnotes:

- 1 Hemingway, *Green Hills of Africa*, 1935, ch. 1.
- 2 "Books: Buy Low, Sell High. Read On," *SmartMoney*, December 1994.
- 3 Adam Smith, *Supermoney*, (New York: Random House, 1972) 174.

Put into practice, his fundamentals allowed a generation of money managers to consistently achieve twenty per cent plus annual return. Over twenty years, his Graham-Newman Fund achieved 17% average annual return, as compared with the S&P 500's +14% for the same period. Warren Buffett, Graham's prize pupil, said, after Graham's death, "It is difficult to think of possible candidates for even the runner up position in the field of security analysis." Graham turned speculating into investing. He allowed stock pickers to be analysts - not fortune tellers, by devising coherent principles to analyze the fundamentals of a company - a road map to Wall Street - that are written out in the book he co-authored with David Dodd: *Security Analysis*.

George Goodman, more popularly known by his pen name Adam Smith, said that Graham had professionalized investing. "There is only one dean of our profession [if security analysis can be said to be a profession] ...the reason that Benjamin Graham is the undisputed dean is that before him there was no profession and after him they began to call it that." ³

A Brief Chronology of Graham's Life

- 1894 Born in London as Benjamin Grossbaum.
- 1895 Family moves to New York City.
- 1914 Graduates from Columbia College, second in his class. Employed on Wall St. with Newberger, Henderson & Loeb as a runner.
- 1915 + Begins to write sketches of bonds for Newberger's recommended list, writes firm's daily market letter, sells bonds. Promoted to statistician, as security analysts were then called.
- 1920 Becomes partner at Newberger.
- 1923 Leaves Newberger to manage money for private investors; starting capital is \$250,000.
- 1928 + Teaches investing class at Columbia. 150 students in 1929.
- 1929 Declines offer of partnership with Bernard Baruch. Is managing a portfolio of \$2.5 million.
- 1934 Publishes first edition of *Security Analysis* with Columbia colleague David Dodd, aimed in part to resuscitate investing in a post-depression market. Book is a huge success.
- 1934 His Broadway play, *Baby Pompadour*, about a newspaperman, opens and closes same week.
- 1937 Helps to form the New York Society of Security Analysts.
- 1949 Publishes *The Intelligent Investor*.
- 1950 Warren Buffett enrolls in Graham's class at Columbia.
- 1954 Buffett accepts a job in Graham's firm, Graham-Newman.
- 1955 Retires to S. California. Still writes for financial journals, conducts market research, and teaches finance at UCLA. Is increasingly involved in poetry, the classics, his personal life, less focused on the financial world.
- 1976 Graham dies at 82.
- 1996 His autobiography, *Benjamin Graham, The Memoirs of the Dean of Wall Street*, is published posthumously.

September Contest Answers

Can You Name Them? In Their Own Right

- #1 Muriel Siebert, *American Airlines*, 10/23/59
- #2 Mary Wells Lawrence, *Wells Rich Greene*, 3/30/70
- #3 Katharine Graham, *Washington Post* 3/4/74