

## INCONSPICUOUS CONSUMER

## BOOKS

# Buy Low, Sell High. Read On.

**A**S EXPERTS DEBATE whether the stock market has reached its peak, the publishing market is aflood with books on buying equities. Here are four titles that offer sound advice for novices and experts alike.

## BENJAMIN GRAHAM ON VALUE INVESTING

By Janet Lowe

DEARBORN, 246 PAGES, \$22.95

**F**AMOUS AMERICAN investors—Warren Buffett chief among them—consider Benjamin Graham the most influential investment philosopher of the 20th century. Now author Janet Lowe looks at the man behind the legend.

Graham's theory, known as "value investing," is easy to grasp. Essentially, he preached that people should ignore the price cycles of individual stocks or movements of the market as a whole and focus instead on a company's financial condition and its future earnings potential. Graham's ideas, articulated in two best-selling books, *Securities Analysis* (1934) and *The Intelligent Investor* (1949), formed a framework of thinking about the stock market that has inspired the investment community for nearly a century. Put into practice, his fundamentals allowed a generation of money managers—including Buffett, William Ruane and Walter Schloss—to consistently achieve 20 percent-plus annual returns.

The strength of Lowe's book, subtitled *Lessons from the Dean of Wall Street*, lies in her detailed analysis of Graham's thought process and her skill in linking the evolution of his theory to national and international events. Lowe's portrait is a compelling one, although her cute headlines ("Fate, that trick-

ster" is appended to a section about Graham's youth) can be annoying. Writing on the 100th anniversary of Graham's birth, Lowe admits that she came to feel "as if I were a silent, invisible member of Ben's family." Nevertheless, fans of value investing will find her tribute interesting, and those who come to the subject cold will get an excellent introduction to Graham's ideas.

—Nancy Marx Better

## HOW TO BUY STOCKS

By Louis Engel and Henry R. Hecht

LITTLE BROWN, 398 PAGES, \$14.95 (PAPER); \$29.95

**N**OW GOING INTO its eighth edition, this book addresses just about every aspect of investing. Some coverage is minimal—it would be foolish to trade options and futures on the basis of Engel and Hecht's 20 pages on the subject—but the numerous chapters on the stock market are detailed and insightful.

Most investors, for example, will be surprised to learn that Nasdaq actually has three screens, or levels, of price quotes on each stock traded. Level one is what a broker sees if he punches up a Nasdaq stock in his office. Level two is what traders see; it lists all the bids and asks posted by the stock's market makers. Level three allows the market makers to change their bids and offers.



**Benjamin Graham, the father of value investing, attracted a flock of followers.**

Reading this will probably teach you as much as most brokers know. But you'd have enjoyed the lesson more had the authors supplemented the text with more illustrations and tables. —Stanley W. Angrist

## STOCKS FOR THE LONG RUN

By Jeremy J. Siegel

IRWIN, 304 PAGES, \$25

**T**HE SINGLE BIGGEST mistake most investors make when accumulating assets for retirement is placing the bulk of their funds in guaranteed investment contracts in the belief that they are avoiding risk. Eventually, of course, they find that taxes and inflation have left them with little more money than they started with.

Siegel's prescription—long-term investing in common stocks—is hardly new. What

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**ADVERTISEMENT****FOCUS ON YOUR MONEY****The Intelligent Investor****Finance: Two new books revive the 'value' cult**

**I**N HIGH-SCHOOL BIOLOGY CLASSES, STUDENTS learn to cut up frogs to find out what's inside. On Wall Street, investment managers do much the same thing, dissecting companies' financial statements in search of a stock's real worth. The most zealous of these practitioners call themselves "value investors." They eschew economics and stock-market predictions and search solely for companies whose stock is underpriced. Their intellectual father is Benjamin Graham, a money manager and professor whose work brought scientific methods to investing. Now, two new books are putting Graham back in the spotlight. One is a biography; the other tells how Graham's most successful protégé, Warren Buffett, used Graham's teachings to make billions.

In *Benjamin Graham on Value Investing* (246 pages, Dearborn, \$22.95), author Janet Lowe paints an admiring portrait. Graham walked onto Wall Street in 1914, in an era when reliable information about corporations was sparse and the market was ruled by manipulators. He pioneered the practice of ferreting out data to find a company's real value. By day he helped his clients (and himself) get rich; at night he preached his message to a generation of analysts at Columbia's business school and wrote books. His 1949 best seller, "The Intelligent Investor," still sells briskly. Drawing on Graham's writings and interviews with his students and family, Lowe provides a solid analysis of his innovations, complete with examples of his stock-market hits and misses. What's lacking is real insight into how he developed his ideas—there's no Newtonian apple or Franklinian lightning storm. Graham's personal life is similarly murky. We learn that Graham was a philanderer with a "fondness for willowy blonds," but we emerge from the story feeling as if we don't really know him. That's no surprise, and no fault of the author: Graham, who died in 1978, was a private man so distant from his children that they aren't even sure where he's buried.

The person who came closest to really knowing Graham is his onetime student, Warren Buffett, the chairman of Berkshire Hathaway, whose stock-picking acumen



COURTESY GRAHAM FAMILY

**The godfather of value:  
Graham in Spain**

has made him the second richest American. In *The Warren Buffett Way* (274 pages, John Wiley, \$24.95), Robert G. Hagstrom Jr. describes how Buffett adapted Graham's theories to suit his style. Unlike Graham, Buffett looks beyond a company's finances to gauge its management and long-term prospects. He also modifies Graham's admonition to diversify, instead placing big bets on a few companies. Hagstrom, himself a money manager, dispenses with Buf-

fett's bio in a few pages and fills the book with a thorough review of his investments and strategy. Although Hagstrom's is the more instructive of the two books, it may be confusing to financial-phobes. But in a way, that's fitting. After all, Graham and his followers made money by studying the mind-numbing details buried in the footnotes of annual reports.

DANIEL MCGINN

