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Baseball, Buffet and his folks help make Oakmark's Bill Nygren a success

By Staff Writer Jeanne Sahadi NEW YORK (CNNfn) - It's a good thing Bill Nygren didn't make the baseball team in high school. Otherwise, he might have become just another average Joe, trying to skim change off Wall Street.

"I was a baseball fanatic," Nygren said. But, as he put it, his ability didn't match his drive.

No matter. There's a theory that with their desire to win left unsatisfied "frustrated athletes tend to make good investors," he said.

That's certainly true in Nygren's case. Oakmark Select, the mid-cap value fund he has run since its inception in 1996, slammed its peers on a three-year annualized basis and beat out the S&P 500 during a bull market that was all about growth.

Buffet groupie at an early age

Baseball paid off for him in other ways, too. Fascinated with the statistical side of the game, America's favorite pastime nurtured Nygren's love of math. And it introduced him to a key part of his career: stock quotes. That's because they ran next to the baseball box scores in his local newspaper.

"I knew [the quotes] represented money, and I knew they went up and down," **VIDEO** Nygren said.

To find out more, he took out 30 or 40 books about investing from his local library. Value gurus Warren Buffet, Benjamin Graham and John Templeton soon became his investing heroes. "The approach that made sense to me was fundamental focus ... and stocks priced at value levels," he said.

Oakmark's Bill Nygren talks with CNNfn about the prospect for technology stocks.

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Educating Bill

Bill at 15 may sound a lot like Bill at 41. But Nygren didn't spend his entire adolescence holed up reading. On the contrary, three nights a week he put his competitive drive to work playing for several softball teams in his hometown of St. Paul, Minn.

He also took a job bagging groceries, which let him save enough to buy 10 shares each of three stocks he liked for their low price-to-earnings ratios, including [Texaco](#) (TX: [Research](#), [Estimates](#)).

* graphic

But he says his stock picking has gotten a little more sophisticated since then.

After getting a bachelor's degree in accounting from the University of Minnesota in 1980 and then a master's in finance from the University of Wisconsin at Madison in 1981, Nygren went to work for Northwestern Mutual Life. But, he said, "my value style didn't square with how they approached investing."

Not so with Harris Associates, adviser to the value-oriented Oakmark fund family. Top executives at the company hired Nygren away in 1983 and made it clear his style was more than welcome. "A lot of the stocks I was working on they were (working on) ... We had the same thought process," he said.

No purist

He describes himself now as an "eclectic" value manager. "It's gotten harder for one summary statistic to define value," Nygren explained. Unlike traditional value managers, he assesses a company's worth using measurements that make sense in the firm's industry, not just the standard price-to-earnings ratio.

Morningstar analyst Scott Cooley says that flexibility has paid off. "He is one of the smartest managers around," Cooley said, noting Nygren had the foresight before most others to invest in cable operator [Liberty Media](#) ([LMG.A: Research, Estimates](#)) and biotechnology firm [Amgen](#) ([AMGN: Research, Estimates](#)).

Where a value purist's fund can get hammered in a growth market, Nygren's willingness to seek opportunities in a growth area means his funds are more likely to get "fairly consistent good returns," Cooley added.

That's what happened with Oakmark Select, a concentrated fund of 15 to 20 stocks.

Select was getting raves while its big sister fund, Oakmark, was getting dirty looks. After a string of abysmal returns and redemptions to the tune of \$6 billion, portfolio manager Robert Sanborn [stepped down](#) in March, handing the reins over to Nygren.

The redemptions have pretty much stopped, Nygren said, and analysts expect better days for the fund, in great part because of his reputation as a sterling stock-picker.

So far, they haven't been disappointed. In the past three months the battle-scarred Oakmark Fund has delivered a nearly 20 percent return, making it one of the top-performing funds in any category during that period, even though year to date it's still down 3.6 percent.

Putting his money where his mouth is

Industry watchers and investors aren't the only ones with confidence in Nygren. He himself has

* graphic

committed the bulk of his net worth to the two funds he manages.

"I made a significant investment in Oakmark Fund the day I was made manager," Nygren said. It is his second-largest single investment, behind that in Select.

<p>graphic</p>	<p>In fact, Nygren won't look at companies whose managements' economic interests are not aligned with those of shareholders.</p> <p>Nor will he buy a stock if it is trading at more than 60 percent of what he and his analysts consider its intrinsic value, their estimate of what a buyer would pay in cash for the company today.</p> <p style="text-align: center;">Stickler for targets</p> <p>One factor Nygren says distinguishes him from other value managers is an adherence to sell targets. He lets a stock go when it is selling at 90 percent of its intrinsic value.</p>
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That is not to say he won't adjust those targets if conditions change.

Take [Electronic Data Systems](#) (EDS: [Research](#), [Estimates](#)), an Oakmark Select holding.

"We were buying EDS in 1998 in the 30s. We presently think it's worth \$80 a share. We didn't believe that when we started buying it," Nygren said, noting two factors have improved since then: EDS produced stronger earnings than expected, and the multiples offered for its peers in the acquisition market rose more than predicted. On Friday, EDS closed at 61-7/8, and Nygren is holding steady.

Dun & Bradstreet on the mend

He also is keeping [Dun & Bradstreet](#) (DNB: [Research](#), [Estimates](#)) in his portfolios after an uncharacteristically public display of displeasure with the company's management.

Oakmark wanted the business information publisher to put itself on the block to boost shareholder value. It had not been growing by the magnitude Oakmark was expecting, and when the company reported poorer-than- expected sales last summer, that was the last straw.

Read Nygren's take on the top 5 holdings

in the [Oakmark Fund](#)

"We were puzzled and frustrated by that," Nygren said. What's more, he added, "We were displeased with (management's) lack of urgency."

The company did not relent, but instead eliminated several hundred jobs, spun off credit rating agency Moody's and appointed a new CEO.

Those changes coupled with a decent first quarter have put Nygren in a better mood about the company's prospects.

"It wasn't exactly what we had in mind, but it's close enough," he said.

He still thinks Dun & Bradstreet is worth considerably more than its current trading price of \$30-plus a share, and he is quite pleased his champion Warren Buffet has taken a 15 percent stake in the company. "We respect his thought process," Nygren said.

Of nature, nurture and grammar

But Buffet has nothing on Nygren's parents, who the manager from Minnesota credits for his strong work ethic and "typical Midwestern sensibility."

They also taught him how to shop well. "When things were on sale, we bought more," he said.

But they are not inclined to let their son, who manages nearly \$4 billion, get too big for his britches. His mother regularly tells him whenever there are grammatical mistakes in his quarterly shareholder reports.

So, too, do some shareholders.

That's because, unlike many portfolio managers, he gives out his e-mail address to keep in touch with fund investors' concerns. Nevertheless, the usually unruffled, courteous Nygren lets it be known he'd like those concerns to be investment related. As for those shareholder letters stuck on Strunk & White? "I could lose those," he said.

Investing 24-7

Two things Nygren is not interested in losing are the softball games he pitches for his office team, The Mighty Oaks, and time spent with his wife and two children.

He usually leaves the office by 5 p.m. after a 10-hour day, but he can't leave his work behind.

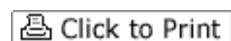
"Your mind is engaged by investing 24 hours a day," he said.

That's not news to his 11-year-old son, who once caught his father reading *Barron's* during one of his hockey practices.

Nygren assured him he would never do that during an actual competition. And maybe one day his son will realize that Dad, like him, was just training for the big game. ■

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