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## The One Investor to Bet On

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Warren Buffett, Michael Price, Mario Gabelli, Walter Schloss, and Charles Royce are not the typical guest lecturers at a business school class. Then again, the Columbia University Graduate School of Business isn't just any business school, and professor Bruce Greenwald's class is anything but ordinary. Greenwald teaches the value investing course at Columbia and also authored [Value Investing: From Graham to Buffett and Beyond](#). In the final part of this five-part series, Greenwald talks with Fool contributor Matt Logan about his favorite book, his most important lesson, and the investment manager he's betting on.

**TMF:** What's your favorite book?

**Greenwald:** If I were going to start off as an investor, I would start with Ben Graham's book, *The Intelligent Investor*. It's not because he really lays out all the really good ideas that he had perfectly, but it's just a terrific introduction to the attitude it takes to be a successful investor. I know that's a boring answer, but I think that's the best answer I can give for a beginning investor.

**TMF:** Boring is not a problem. A lot of people turn down value investing because it's "boring." Boring can be very profitable. What's the biggest mistake you see investors making?

**Greenwald:** Oh, it's clear: They buy lottery tickets. That they want to talk about what they've done. And that's psychologically been true all over the world in every period of time. It's that they want it and they want to get rich quick. They want to invest \$10 and have it be worth a million two years from now. And they all want to do that. That is clearly the biggest problem in the market.

**TMF:** In the classes you teach, what's the most important lesson you teach your students?

**Greenwald:** I would say it is this systematic three-part approach, which is search strategy, valuation technology, and a structure that allows you to be patient. Now that's three. I don't think you can get by on any one of those.

**TMF:** Yeah, it's really the combination of all three. And a lot of people do think they can just do one -- they can just be patient or they can just sit there screening all day. They don't know what to do once they find the information. They're at a loss.

**Greenwald:** Right. And if you make that point, you'll do a worldwide service to investors. One of the problems with value investing is that people sort of get their hands on one of the three or two of the three, and they don't see the complete system.

**TMF:** You know a lot of the great investment managers out there. Who are your favorite managers, your favorite funds?

**Greenwald:** Look, there is one phenomenal fund. It's a hedge fund. First of all, I've got a lot of money in Sonkin -- the kid who did the 25% a year. They're not mutual funds, unfortunately. There's a fund called Brookdale at [Weiss Asset Management](#) [where Andrew Weiss is president and chief investment officer]. He's a guy I've known for years. My wife thinks he's crazy, so she won't let me put as much money as I want. But the fund is like up 14% this year, and it was up like 50% last year. I've known him since we started investing together in 1976, and he is a very smart guy. And if I had to pick one guy to put the money in, I would pick him. He may still be open is the thing.

**TMF:** And what is his strategy?

**Greenwald:** He's a quite distinguished economist. He's actually at BU, but he's there because he wants to be in Boston. He was at Columbia. He's a fellow at the Econometric Society. So he asked

himself what's his comparative advantage. And his comparative advantage is incredibly complex situations. They've got these splits in London on the Exchange, which was sort of complicated multipurpose funds. And there are many different tranches of value you can buy there, like complicated dual-purpose funds. They also own shares in other splits, which complicates it further. There was a complete disaster. The whole market melted down. And these things, when the market melted down -- because they supposedly were offering safe returns at the first tranche, and then they defaulted on those safe returns. So it's a market that's a disaster. And it's a market that's very hard to understand. That's his kind of market.

Other things he does -- again, he tends to do funds. There was a period when Brazil was a hot economy, if you believe it. There was a Brazil fund that was trading in the United States and was actually briefly trading at a slight premium. Well, he found that there was a Brazil fund that was trading in Argentina that had essentially similar assets that was trading in Argentina at like a 30% discount. So, of course, he shorted the New York Brazil fund, bought the Argentina Brazil fund. And he does a lot of complicated sort of funds like that in obscure places. So his talent is dealing with complicated situations and processing a lot of obscure information. That's his strategy for being places where nobody else is. And he's very good at valuing those sorts of things, because he has the technical ability to sort of value the option values and all the other things because of his training. Again, he has a terrific search strategy. He's good at valuation and he has a good valuation approach. And he's a very disciplined guy. Now, my wife, as I say, happens to think he's crazy. I don't think he is. I think he's crazy about some things, but not about investing. So the discipline might be a problem, but of all the people I know who are open, I would say that that was the best fund.

**TMF:** Well, that's probably a good pick. The last question for you is you've had a lot of great investment managers come to speak to your class. Is there one story that stands out for you that they've told?

**Greenwald:** I don't think it's the stories that are so useful. I think it's the people knowing what they're good at. I'll tell you two stories -- one where I was wrong and the person was right. There's a guy called Glenn Greenberg who absolutely says he's not a value investor and is just about the best value investor out there -- I don't know if you know him.

**TMF:** He's with Chieftain Capital, right?

**Greenwald:** Yeah. He's got a phenomenal record. So he came and he talked about a company called **Iron Mountain** (NYSE: [IRM](#)). Iron Mountain is a document storage company. He talked about how they were rolling up the industry and buying local things. I said, "Oh, a national strategy -- a waste of time." But of course it wasn't. What they were really doing was they were doing a **Wal-Mart** (NYSE: [WMT](#)) strategy. They were dominating one region at a time. And he invested in it on very favorable terms. He actually discovered it by accident. It worked out. I think he's had a lot of investments like that. And I think Seth does that, too.

So I guess the things that most impress me is that the people that I think make a lot of money are the people -- now Glenn is closed and Seth is closed -- but they are people who really understand the areas that they're doing. So Glenn does seven to 10 companies, but he *really* understands the economics. He's just a brilliant, sort of natural industry economist. And he's just naturally good at judging these franchises, almost unconsciously so. And I think that's the thing I would find most impressive. I think Seth (Klarman) has it. I think Glenn Greenberg has it. I think there's some other value -- and, Buffett, obviously also has it.

**TMF:** And Buffett also has owns a stake in Iron Mountain, through **Berkshire Hathaway** (NYSE: [BRK.A](#)).

**Greenwald:** Right. Right. So I think when they come, that's the thing I'm most impressed with. And I think in his own obscure field, Andy Weiss, who also speaks in the class who does Brookdale -- also has that facility. I mean he's just very good at articulating how he's going to lay off the risk. And these are very technical things. They're not industry understanding. I think when you hear that, you really know what you're dealing with. And that's the most impressive set of things that I think I hear in that class.

**TMF:** It's been a pleasure talking to you. Thanks so much.

Read Matt Logan's complete interview with Bruce Greenwald:

- [Value Investing 101](#)
- [To Hold Cash or Not?](#)
- [The Art of Shorting](#)
- [Identifying Franchises](#)
- [The One Investor to Bet On](#)

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