



Brandes

features:

## Benjamin Graham (1894 – 1976)

**“The stock market often goes far wrong, and sometimes an alert and courageous investor can take advantage of its patent errors.”<sup>3</sup> – Benjamin Graham**

**“Follow Graham and you will profit from folly rather than participate in it.”<sup>4</sup> – Warren Buffett**

Benjamin Graham – widely viewed as the father of value investing – helped bring science to the art of investing.

After graduating from Columbia University in 1914, Graham turned down teaching offers from the school’s Math, English, and Philosophy departments to work on Wall Street for \$12 a week.

In his autobiography, Graham described how he would spend the next 42 years in investing, “beginning as a brokerage-house runner and ending as one of the heads of a substantial investment fund and chairman of two major business enterprises.”<sup>1</sup>

From the start, Graham seemed to have an innate affinity for investing. Little more than a decade after graduating from Columbia, he was managing his own investment group and teaching an investing course at his alma mater.

Not satisfied with the rigor of the investment texts available at the time, Graham published several editions of *Security Analysis* (with David Dodd), a lengthy collection of lessons from the courses he taught at Columbia, which has become a classic reference for financial analysis.

“What I brought into Wall Street was a central academic viewpoint which was self-adjusting to practical considerations,”<sup>2</sup> Graham wrote in his autobiography.

When the Great Depression decimated the stock market, Graham’s firm saw its holdings lose 70 percent of their value “for 1929 through 1932 – before the tide turned.” Graham spent years earning the lost money back, and the experience convinced him of the importance of finding investments that offered a margin of safety against unforeseen adversity.

Today, the idea of a margin of safety is recognized as one of Graham’s seminal contributions. Graham protégé Warren Buffett, in a 1992 letter to shareholders of Berkshire Hathaway, said he believed the “margin-of-safety principle, so strongly emphasized by Ben Graham, to be the cornerstone of investment success.”

Graham also blazed trails for the profession of investing. For decades, he pushed for formal certifications and standards for security analysis – including in 1947, at the first conference of a group that would become today’s CFA Institute.

Ben Graham moved to La Jolla, California in 1966. A few years later, a young stockbroker visited him in his apartment to discuss investing. That stockbroker was Charles Brandes, who would adapt the value investing approach espoused by Graham to guide the investment decisions at Brandes Investment Partners.

### Benjamin Graham: 1894-1976<sup>5</sup>

- 1894 Born in London, England. Graham’s family moved to New York City when he was one year-old
- 1914 Graduates from Columbia, second in his class; takes first job on Wall Street
- 1918 Writes first magazine article on security analysis
- 1926 Starts investment group that will become Graham-Newman Corporation
- 1927 Begins teaching security analysis at Columbia
- 1930 Sees investment group loses 50% of its value as market crashes
- 1934 Publishes first edition of “Security Analysis” textbook
- 1947 Tells group that will become CFA Institute that analyst profession needs certifications and standards
- 1949 Publishes first edition of “The Intelligent Investor”
- 1954 Hires Warren Buffett to work at Graham-Newman Corp.
- 1966 Moves to La Jolla, near San Diego, after retiring to Los Angeles 10 years before

“Graham’s essential concept of value investing remains unchanged: The shares of any sound company –even a boring, slow-growing business- are a fine investment if bought at a cheap enough price.”  
–Charles Brandes

#### Further Reading:

- Select Books by Benjamin Graham: *The Intelligent Investor*
- The Interpretation of Financial Statements* (with Spencer B. Meredith)
- Security Analysis* (with David Dodd)
- The Memoirs of the Dean of Wall Street* (edited by Seymour Chatman)

<sup>1</sup>Graham, B. *Benjamin Graham, the Memoirs of the Dean of Wall Street*, McGraw-Hill, 1996 p. 141.

<sup>2</sup>Ibid

<sup>3</sup>Graham, B. *The Intelligent Investor*, New York: Harper & Row, 1985 p. 106.

<sup>4</sup>Buffett, W. *The Superinvestors of Graham-and-Doddsville*, Hermes, Fall 1984. Also in Graham’s *The Intelligent Investor*.

<sup>5</sup>Graham, B. Benjamin Graham, the *Memoirs of the Dean of Wall Street*, McGraw-Hill, 1996 p.317- 325

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